



*of Companies*

31<sup>st</sup> Annual Report 2010

UMER GROUP OF COMPANIES

BHANERO TEXTILE MILLS LIMITED



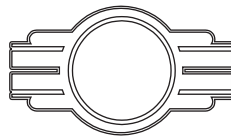
BHANERO TEXTILE MILLS LIMITED

## Vision

*A Premier Quality Company, Providing Quality Products*

*And Maintaining An Excellent Level Of Ethical*

*And Professional Standards.*



## Mission Statement

*To become a leading manufacturer of textile products in the*

*International & Local markets and to explore new era to*

*Achieve the highest level of success.*



## BHANERO TEXTILE MILLS LIMITED

### CORPORATE INFORMATION

Board of Directors	Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel Mr. Khurram Salim Mr. Bilal Sharif Mr. Mohammad Amin Mr. Adil Shakeel	Chief Executive / Director Director Director Director Director Director Director Director
Company Secretary	Syed Asshraf Ali, FCA	
Chief Financial Officer	Mr. Anwar Hussain, FCA	
Audit Committee	Mr. Bilal Sharif Mr. Khurram Salim Mr. Mohammad Shakeel	Chairman Member Member
Auditors	M/s Mushatq and Company Chartered Accountants 407, Commerce Centre, Hasrat Mohani Road, Karachi	
Legal Advisor	Mr. Shahid Pervaiz Jami	
Bankers	Citi Bank N. A. Dubai Islamic Bank Habib Bank Limited HSBC Middle East Bank Limited MCB Bank Limited Meezan Bank Limited RBS Bank Standard Chartered Bank (Pakistan) Limited United Bank Limited	
Share Registrar	Hameed Majeed Associated (Private) Limited 5th Floor Karachi Chamber, Karachi	
Registered Office	Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, Pakistan Tel : 021 35115177 - 80 ; Fax: 021 -35063002-3 Email: khioff@umergroup.com Website: <a href="http://www.umergroup.com">http://www.umergroup.com</a>	
Liason / Correspondence office	9th Floor, City Towers, 6-K, Main Boulevard Gulberg - II, Lahore, Pakistan Tel : 042 111 130 130 ; Fax: 042 -35770015 Email: lhroff@umergroup.com Website: <a href="http://www.umergroup.com">http://www.umergroup.com</a>	
Mills At:	Unit I is situated at: Kotri Distric Dadu, Sindh. Tel : 0221 870013  Unit II and Unit III is situated at: Feroz Watwan, Sheikhpura, Punjab. Tel: 056 3731723	



## BHANERO TEXTILE MILLS LIMITED

### BHANERO TEXTILE MILLS LIMITED NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 31<sup>st</sup> Annual General Meeting of the members of Bhanero Textile Mills Limited will be held on Tuesday 26<sup>th</sup> October 2010 at 4:00 PM., at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on 23<sup>rd</sup> October, 2009.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30<sup>th</sup> June, 2010 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 200% (i.e. PKR 20.0 per share) for the year ended 30<sup>th</sup> June, 2010, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2010-2011 and fix their remuneration. The retiring auditors M/S Mushtaq and Company, Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chairman.

(By the order of the Board)

Syed Asshraf Ali

FCA

Company Secretary

Karachi:

Dated: 24<sup>th</sup> September, 2010

#### NOTES:

1. The Shares Transfer Books of the Company will remain closed from 23<sup>rd</sup> October 2010 to 30<sup>th</sup> October, 2010 (both days inclusive). Transfers received in order at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi by 22<sup>nd</sup> October 2010 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30<sup>th</sup> June, 2010.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/ her. No person other than a member shall act as proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport, Account and participant's I.D. numbers, to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose. The account/ sub account holders of CDC will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by Securities & Exchange Commission of Pakistan.
5. Members are requested to immediately inform of any change in their addresses to our share Registrar, Hameed Majeed Associates (Private) Limited.



## BHANERO TEXTILE MILLS LIMITED

### Directors' Report

The board of directors of Bhanero Textile Mills Limited is pleased to present the thirty first annual report and the audited financial statements of the company for the year ended June 30, 2010. This report presents the financial, operational, human resource, and corporate responsibility performance of the company, and highlights the key business challenges faced by us during the year.

#### Overview

Financial year ended 30<sup>th</sup> June 2010 is the milestone in the history of company. By the blessing of Allah Al Mighty company earned record profit of PKR 421.836 Million, despite domestic economic recession. By the grace of Al-Mighty Allah your company during the financial year ended 30<sup>th</sup> June 2010 maintained the position among the market leaders both in domestic and international markets.

#### Industry Scenario

Pakistan faced multiple challenges during the year 2009-2010. Low GDP growth, double digit inflation, deteriorate security environment, continuing devaluation of Rupee, debilitating power cut and gas load shedding impacted business in general.

Despite the above factors, textile industry of Pakistan has been playing a pivotal role to drive national economy with its significant contribution to the industrial production, employment generation and foreign exchange earnings. The textile sector is undergoing tremendous change in the light of globalization and current economic challenges.

The demand for Pakistani textile products is increasing in the international markets and the industry is securing large orders among its regional competitors. The export of textile and garment sector stood at USD 10.3 billion in 2009-10. Industry is registering monthly growth of around USD 450 million in exports, out of which USD 200 million is the increase to the real price factor. This increase is mainly attributed to the overall improvement in quality control due to which world's leading retail stores are now buying textile and garment products being manufactured in Pakistan.

The quality of Pakistani towel and bed wear products is considered best amongst the products being manufactured by its neighboring countries. Realizing the importance of value added products, the local industry is moving towards modernization of manufacturing facilities by importing state-of-the-art machinery and technology.

Textile machinery worth USD 349.07 million was imported in 2009-10 by the local manufacturers. The Government of Pakistan is also encouraging the modernization of local industry by exempting duties on the import of textile machinery to penetrate the foreign markets with high quality value added products. The textile industry is also improving and upgrading the current production facilities with the import of parts and accessories to meet the increasing export orders in time. More than 4000 textile related industrial units are working in the country out of which 90% of large units use latest machinery and imported parts while small units use second hand machinery and depend on the local parts & accessories. In this regard, the Ministry of Industries and Production has taken numerous measures for technological advancements and skill development in order to increase the exports of textile made-ups that meet the international standards.

State Bank of Pakistan should also play its role by reducing KIBOR to single digit in order to avoid a severe decline in exports. A five-year comprehensive textile policy has been announced in previous year in which government has decided to set the textile export target at \$25 billion for the next five years. This is indeed a very optimistic goal which can be met only if all the stakeholders play and take their responsibilities seriously.

#### Operating Results and Profit Appropriation

We are pleased to report that your company is maintaining the pace of regular improvement in all areas of operations and it is because we believe in steady growth. By the grace of Al Mighty Allah we are among those companies who have successfully managed their consistent profitability.

Your company continued to perform well despite toughest business and economic conditions and posted profit before taxation for the year ended 30<sup>th</sup> June 2010 PKR 427.510 Million (2009: PKR 99.624 Million). The operating results and allocation of profit for the year ended 30<sup>th</sup> June 2010 is summarized as under;



## BHANERO TEXTILE MILLS LIMITED

	2010 Rupees	2009 Rupees
Sales	4,737,286,216	3,781,566,514
Gross profit	838,167,340	496,256,991
Profit before taxation	427,510,985	99,624,279
Taxation		
Current year	(55,018,752)	(16,382,083)
Prior year	1,259,336	(88,425)
Deferred	48,084,956	(2,279,242)
	<u>(5,674,460)</u>	<u>(18,749,750)</u>
Profit after taxation	421,836,525	80,874,529
Un-appropriated profit brought forward	54,716,498	29,841,969
Profit available for appropriation	476,553,023	110,716,498
Appropriations:		
Dividend paid	(6,000,000)	(6,000,000)
Transferred to General Reserve	(400,000,000)	(50,000,000)
Un-appropriated profit carried forward	<u>70,553,023</u>	<u>54,716,498</u>
Basic and diluted earning per share	<u>140.61</u>	<u>26.96</u>

During the year under review, the cost of production of your company increased because of increase in cost of raw material, fuel and power, salaries and wages and other consumables due to cost push inflation. Gross profit for the year under review is amounting to PKR 838.167 million as compared to PKR 496.256 million in prior year which is increased by 68.89%. Whereas profit before taxation for the year under review is amounting to PKR 427.510 million as compared to PKR 99.624 million in prior year which is increased by 329.12%.

### Dividend

The board of directors is pleased to recommend a final cash dividend of 200% i.e PKR 20.0 per share (June 2009: 20% i.e. PKR 2.0 per share) for the approval of shareholders at the forthcoming annual general meeting.

### Balance Sheet

Balance sheet footing has increased to PKR 3,177.736 million this year. Long term borrowing at the year end reduced to PKR 89.184 million (2009: PKR 517.332 million). Gearing ratio was 0.89 at 30<sup>th</sup> June 2010 as compared to 1.65 at 30<sup>th</sup> June 2009. The liquidity position of the company is satisfactory with a current ratio of 1.07 at 30<sup>th</sup> June 2009 (June 2009: 1.02). The total of shareholders' fund stood at PKR 1,400.553 million (2009: PKR 984.716 million).

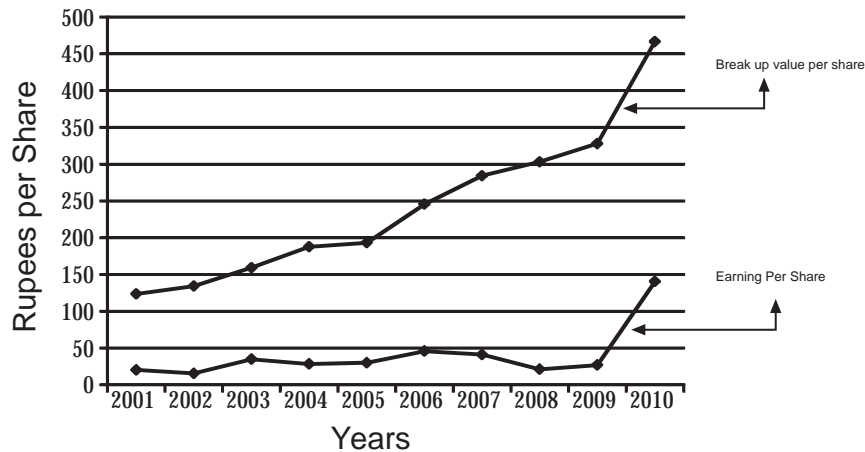
### Cash Flow Management

Board of directors places great importance at an effective cash flow management so as to ensure smooth running of the business and for this purpose cash inflows and outflows are projected on regular basis. Working capital requirements have been planned to be financed through internal cash generation and short term financing from external sources.

Cash generated from operations amounted to PKR 745.376 million during the year as compared to PKR 352.355 million.

### Breakup Value and Earning per Share

The breakup value of your share as on 30<sup>th</sup> June 2010 is PKR 466.85 (30<sup>th</sup> June 2009: PKR 328.23). The Earning per Share (EPS) of your company for the year ended 30th June 2010 is PKR 140.61 (30<sup>th</sup> June 2009: PKR 26.96).



#### Statement on Corporate and Financial Reporting Framework

The directors of your company are aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from the Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance in your company as required by the Code. As a part of the compliance of the Code, we confirm the following:

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- We have prepared and circulated a Statement of Ethics and business strategy among directors and employees.
- The Board of Directors has adopted a vision and mission statement and a statement of overall corporate strategy.
- As required by the Code of Corporate Governance, we have included the following information in this report:
  - o Statement of pattern of shareholding has been given separately.
  - o Statement of shares held by associated undertakings and related persons.
  - o Statement of the board of directors meetings held during the year and attendance by each director has been given separately.
  - o Key operating and financial statistics for last six years.
- Information about taxes and levies is given in the notes to the financial statements.



## BHANERO TEXTILE MILLS LIMITED

### Change in the Board of Directors

Mr. Faisal Shakeel director of company submitted his resignation from the board of director on 16<sup>th</sup> September 2010. The board would like to place on record its appreciation on the valuable contribution made by the outgoing director Mr. Faisal Shakeel towards progress of the company. The casual vacancy so occurred was filled within 14 days of such vacancy. The Board also welcomes Mr. Mohammad Shakeel who joined the board as a director in place of the outgoing director. Mr. Faisal Shakeel.

### Change in the Audit Committee

Mr. Mohammad Shakeel was also nominated by the board on the Audit Committee as member in place of Mr. Faisal Shakeel.

### Related Party transaction and Transfer Pricing

It is the policy of the company to ensure that all transactions entered with related parties must be at arms length. The company has adopted comparable uncontrolled price method for pricing of transaction with related parties.

### Audit Committee

The audit committee of the company is working as required by the code of corporate governance. The audit committee has established internal audit system to monitor and review the adequacy and implementation of internal control at each level. The meetings of audit committee were held in compliance of the requirements of Code of Corporate Governance. Interim and annual financial statements were reviewed by the audit committee before the approval of board of directors.

### Financial statements

As required under listing regulations of stock exchanges the Chief Executive Officer and Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the board of directors and the board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

The financial statements of the company have been duly audited by the auditors of the company, Mushtaq and Company, Chartered Accountants. Auditors have issued clean audit report on financial statements for the year ended 30th June 2010 and clean review report on Statement of Code of Corporate Governance and their reports are attached with the financial statements.

No material changes in contingencies and commitments, affecting the financial position of your company, have occurred between the end of the financial year to which this balance sheet relates and the date of the directors' report.

### Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately. No trade in the shares of the company was carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per the law.

### Auditors

The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 31<sup>st</sup> annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 31<sup>st</sup> annual general meeting until the conclusion of 32<sup>nd</sup> annual general meeting. The audit committee has recommended the appointment of aforesaid M/s Mushtaq and Company, Chartered Accountants, as external auditor for the year ended 30<sup>th</sup> June 2011. The external auditors, M/s Mushtaq and Company, Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and its entire partners are in compliance with the International Federation of Accountants' Guidelines on the Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.





## BHANERO TEXTILE MILLS LIMITED

### Safety, Health and Environment

We maintain our commitment to higher standard of Safety, Health and Environment. All our employees undergo continuous training on all aspects of safety especially with regards to the safe production, delivery, storage and handling of the materials. In addition we have initiated a rotation exercise at the mill whereby our aim is to ensure that all supervisors are also safety managers and are fully cognizant of all aspects of safety training. Due these controls and with the blessing of Al-Mighty Allah no major accidents or incidents took place at the mill.

### Expansion Plan

In view of the current economic scenario where the cost of financing and production is rapidly increasing and recent expansion of the company, no further expansion is under consideration in near future.

However, normal BMR will continue as and when required.

### Business Risks, Challenges and Future Outlook

After respite, there is a growing fear that with the surge in increases inflation, social disruptions arising from law and order situations, debilitating in power cuts, massive gas load shedding, double digit discount and markup rates are major concerns for business activities in country.

The cotton crop has been badly affected by the flood. The International Cotton Advisory Committee (ICAC) has lowered its forecast for Pakistan's crop by 15%. The ICAC estimates that 6-8 per cent of the cotton growing area has been lost entirely. In some of the most vital areas for cotton, the floods have damaged as much as 80 per cent of the fields.

Total consumption of the local industry is about 15.5 million bales of cotton, against the targeted production of 14.0 million bales, showing a shortfall of about one million bales. However after the flash floods, the shortfall might well be around 4.5 million bales. The country would need to import 4.5 million bales to meet the domestic requirements.

World stocks in 2010-2011 are expected to also decline because of lower production and higher consumption. Projected world ending stocks fell 174,000 bales and the world stocks-to-use ratio was at 37.7%, its lowest level since 1993/94.

The government has fixed the annual textile export target at USD 14 billion for the current fiscal year 2010-11. In current scenario it seems very difficult to be achieved.

Major threat for textile industry is power disruption due to shut down of gas during winter season. Because of shut down of gas supply during winter season, machineries have to be operated through electricity generated from furnace oil which is not cost effective and causes in increase in production cost.

State Bank of Pakistan should consider reduction in discount rate and introduction of a new leverage product in the capital market, these steps would help spawn another positive run in the equity market.

We are fully cognizant of the current economic conditions and events and are prepared to do everything possible to mitigate the adverse impact of such an event as far as it is under the control limit of management. But your management is not hopeful to have goods results until the attitude of government is not changed for textile sector.

### Acknowledgement

Your directors' record with appreciation, the efforts of the company's executives, managers, technicians and workers who have worked vigorously to meet the targets set before them. Your directors also extended their appreciation to the company's bankers, valued customers, suppliers, shareholders and government authorities for the cooperation extended by them during this period.

For and on behalf of the Board of Directors

Mohammad Salim  
Chairman / Director

Karachi:

Dated: 24<sup>th</sup> September, 2010



## BHANERO TEXTILE MILLS LIMITED

### Board of Directors Meetings

During the year four board of directors meetings were held and the attendance by each director is as follows.

Directors	2009		2010		Total
	28 <sup>th</sup> Oct	24 <sup>th</sup> Feb	24 <sup>th</sup> April	24 <sup>th</sup> Sept	
Mr. Mohammad Salim	★	★	★	★	4/4
Mr. Mohammad Sharif	★	★	★	★	4/4
Mr. Mohammad Shaheen	★	-	★	★	4/4
Mr. Mohammad Shakeel	-	-	-	★	1/1
Mr. Khurram Salim	★	★		★	4/4
Mr. Bilal Sharif	★	★	★	★	4/4
Mr. Mohammad Amin	★	★	★	★	4/4
Mr. Adil Shakeel	★	★	★	★	4/4
Mr. Faisal Shakeel	★	★	★	-	2/3
Total	8/8	6/8	8/8	8/8	30/32

## REVIEW REPORT TO THE MEMBERS

### On the Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Bhanero Textile Mills Limited to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited, Listing Regulations No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2010.

MUSHTAQ & COMPANY  
Chartered Accountants

Engagement Partner:  
Shahabuddin A. Siddiqui

Karachi:  
Dated: 24<sup>th</sup> September, 2010



## BHANERO TEXTILE MILLS LIMITED

### STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2010

This statement is being presented to comply with the code of corporate governance contained in listing regulation of the Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange for purpose of establishing a framework of good corporate governance, whereby a listed company is managed in compliance with best practices of corporate governance.

The company applies the principles contained in the Code in the following manner.

1. The company encourages representation of independent non executive directors and directors representing minority interest on its Board of Directors. The Board of directors of the Company has always supported implementation of the highest standards of Corporate Governance at all times.
2. The directors have confirmed that none of the directors of the company are serving as a director in more than ten listed companies, including this company.
3. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors, non workmen employees and has been communicated formally to workmen employees of the Company.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
5. There was no casual vacancy occurred in board of director during the year ended 30<sup>th</sup> June 2010.
6. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
7. All the directors of the company are registered as taxpayers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBFII. No director in the board is a member of any Stock exchange in Pakistan.
8. The Board arranged one orientation course for its directors during the year apprised them of their duties and responsibilities and briefed them regarding requirements of Code of Corporate Governance, amendment in the Companies Ordinance 1984 and other corporate laws, including the changes made in income tax ordinance 2001 through Finance Act.
9. The CEO and CFO duly endorsed the financial statements of the company before approval of the board.
10. The director's report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
11. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
12. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.
13. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the Board.



## BHANERO TEXTILE MILLS LIMITED

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. All material information as described in clause (Xiii) of the Code of Corporate Governance is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in time.
16. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
17. The Board has set up effective internal audit function with suitable qualified and experienced personnel, which are involved in the internal audit function on full time basis.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they are not aware of any instances where shares of the company are held by any of the partners of the firm, their spouses and minor children and that the firm and all its partners are compliant with International Federation of accountants (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).
19. All transactions with related parties have been carried out on arm's length basis. Transactions with related parties have been placed before the audit committee and board of directors' meeting for their consideration and formal approval.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the code have been complied with.

On behalf of board of directors

Mohammad Salim  
Chief Executive / Director

Karachi:  
Dated: 24<sup>th</sup> September, 2010

**MUSHTAQ & CO.**  
*CHARTERED ACCOUNTANTS*

407-Commerce Centre  
Hasrat Mohani Road  
Karachi-74200  
Tel: 32638521-4  
Fax: 32639843

Branch Office:  
20-B, Block-G  
Gulberg-III, Lahore  
Tel: 35884926, 35865618  
Fax: 35843360

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Bhanero Textile Mills Limited as at June 30, 2010 and the related profit and loss account, statement of cash flows, statement of changes in equity and statement of comprehensive income together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verifications, we report that;

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
  - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of cash flows, statement of changes in equity and statement of comprehensive income together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in Central Zakat Fund established under section 7 of that Ordinance,

MUSHTAQ & COMPANY  
Chartered Accountants

Karachi:  
Dated: 24<sup>th</sup> September, 2010

Engagement Partner:  
Shahabuddin A. Siddiqui




## BHANERO TEXTILE MILLS LIMITED

### Balance Sheet As At June 30, 2010

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>AUTHORIZED CAPITAL</b>			
6,000,000 (2009: 6,000,000) ordinary shares of Rs.10 each		<u>60,000,000</u>	<u>60,000,000</u>
Issued, subscribed and paid up capital	5	30,000,000	30,000,000
General Reserves		1,300,000,000	900,000,000
Unappropriated profits		<u>70,553,023</u>	<u>54,716,498</u>
		1,400,553,023	984,716,498
Loans from sponsors and relatives - unsecured	6	100,000,000	89,285,715
<b>NON CURRENT LIABILITIES</b>			
Long term financing - secured	7	79,968,441	509,066,345
Liabilities against assets subject to finance lease - secured	8	9,215,694	8,266,315
Deferred liabilities	9	169,574,384	203,565,542
		258,758,519	720,898,202
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	245,852,219	189,338,230
Mark-up accrued on loans and other payables	11	20,956,878	45,511,678
Short term borrowings - secured	12	716,291,227	891,074,535
Current portion of long term borrowings	13	435,324,658	213,224,878
		1,418,424,982	1,339,149,321
<b>CONTINGENCIES AND COMMITMENTS</b>	14	-	-
		<u>3,177,736,524</u>	<u>3,134,049,736</u>

The annexed notes form an integral part of these financial statements.

  
 Mohammad Salim  
 Chief Executive



## BHANERO TEXTILE MILLS LIMITED

### Balance Sheet As At June 30, 2010

	Note	June , 30 2010 Rupees	June 30, 2009 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	15	1,573,154,818	1,724,335,447
Capital work in progress	16	66,895,341	2,578,358
Long term investment	17	63,000	375,000
Long term loans and advances	18	10,806,986	10,245,254
Long term deposits	19	9,615,196	30,128,996
		1,660,535,341	1,767,663,055
 <b>CURRENT ASSETS</b>			
Stores, spares and loose tools	20	49,152,812	39,555,782
Stock in trade	21	951,779,557	799,754,468
Trade debts	22	387,229,790	443,988,669
Loans and advances	23	20,846,834	5,904,034
Trade deposits and short term prepayments	24	31,822,364	23,119,238
Other receivables	25	4,315,295	5,055,824
Taxation	26	17,112,518	19,063,451
Sales tax refundable	27	18,730,641	7,279,625
Cash and bank balances	28	36,211,372	22,665,590
		1,517,201,183	1,366,386,681
		3,177,736,524	3,134,049,736

Mohammad Shakeel  
Director





## BHANERO TEXTILE MILLS LIMITED

### Profit and Loss Account For The Year Ended 30<sup>th</sup> June, 2010

	Note	June 30 2010 Rupees	June 30 2009 Rupees
Sales	29	4,737,286,216	3,781,556,514
Cost of goods sold	30	<u>(3,899,118,876)</u>	<u>(3,285,299,523)</u>
Gross profit		838,167,340	496,256,991
Other operating income	31	<u>8,689,173</u>	<u>2,754,619</u>
		846,856,513	499,011,610
Distribution cost	32	<u>(52,048,272)</u>	<u>(44,709,501)</u>
Administrative expenses	33	<u>(113,298,773)</u>	<u>(59,646,256)</u>
Other operating expenses	34	<u>(22,557,271)</u>	<u>(5,243,382)</u>
Finance cost	35	<u>(231,441,212)</u>	<u>(289,788,192)</u>
		<u>(419,345,528)</u>	<u>(399,387,331)</u>
Profit before tax		427,510,985	99,624,279
Provision for taxation	36		
Current year		<u>(55,018,752)</u>	<u>(16,382,083)</u>
Prior year		1,259,336	(88,425)
Deferred		<u>48,084,956</u>	<u>(2,279,242)</u>
		<u>(5,674,460)</u>	<u>(18,749,750)</u>
Profit after tax		<u><u>421,836,525</u></u>	<u><u>80,874,529</u></u>
Earnings per share - basic and diluted	37	<u><u>140.61</u></u>	<u><u>26.96</u></u>

The annexed notes form an integral part of these financial statements.

Mohammad Salim  
Chief Executive

Mohammad Shakeel  
Director

Karachi:  
Dated: 24<sup>th</sup> September, 2010



## BHANERO TEXTILE MILLS LIMITED

### Statement of Cash Flow For The Year Ended 30<sup>th</sup> June, 2010

	June 30 2010 Rupees	June 30 2009 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	427,510,985	99,624,279
Adjustments for:		
Depreciation on property, plant and equipment	164,210,893	176,981,285
Provision for employees' benefits	16,954,365	18,792,167
Infrastructure fee	7,090,623	4,847,235
Loss due to change in the fair value of investments available for sale	312,000	-
(Gain) on disposal of property, plant and equipment	(2,043,753)	(887,716)
Finance cost	<u>231,441,212</u>	<u>289,788,192</u>
Operating cash flows before changes in working capital	845,476,325	589,145,442
(Increase)/decrease in current assets		
Inventories	(161,622,119)	172,202,192
Trade debts	56,758,879	(26,919,503)
Loans and advances	(14,942,800)	3,838,511
Trade deposits	(8,703,126)	(2,895,860)
Other receivables	740,529	849,423
Sales tax refundable	<u>(11,451,016)</u>	<u>1,925,375</u>
	(139,219,653)	149,000,138
Increase in trade and other payables	<u>56,502,408</u>	<u>7,230,498</u>
Cash generated by operations	762,759,080	745,376,078
Finance cost paid	(245,281,727)	(268,163,549)
Employees' benefits paid	(9,951,190)	(9,279,729)
Income taxes paid	(51,808,483)	(3,226,722)
Long term loans	(561,732)	(1,619,756)
Long term deposits	<u>20,513,800</u>	<u>(27,635,060)</u>
	<u>(287,089,332)</u>	<u>(309,924,816)</u>
Net cash used in operating activities	<u>475,669,748</u>	<u>435,451,262</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	6,150,000	1,539,000
Purchase of property, plant and equipment	(81,453,497)	(57,032,979)
Net cash used in investing activities	<u>(75,303,497)</u>	<u>(55,493,979)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of long term financing	(209,832,389)	(209,832,394)
Payment of long term financing -murabaha	-	(15,227,272)
Proceed from liability against assets subject to finance lease	8,639,450	13,929,870
Payment of liability against assets subject to finance lease	(4,855,803)	(2,271,069)
Short term bank borrowings	(174,783,308)	(156,430,290)
Dividend paid	<u>(5,988,419)</u>	<u>(5,989,815)</u>
Net cash from financing activities	<u>(386,820,469)</u>	<u>(375,820,970)</u>
Net increase in cash and cash equivalents	13,545,782	4,136,313
Cash and cash equivalents at the beginning of the year	22,665,590	18,529,277
Cash and cash equivalents at the end of the year	<u><u>36,211,372</u></u>	<u><u>22,665,590</u></u>

The annexed notes form an integral part of these financial statements.



Karachi:  
Dated: 24<sup>th</sup> September, 2010

Mohammad Salim  
Chief Executive



Mohammad Shakeel  
Director



## BHANERO TEXTILE MILLS LIMITED

### Statement of Changes in Equity For The Year Ended 30<sup>th</sup> June, 2010

	Share capital	General Reserves	Unappropriated profits	Total
Rupees				
Balance as at June 30, 2008	30,000,000	850,000,000	29,841,969	909,841,969
Profit for the year ended June 30, 2009.	-	-	80,874,529	80,874,529
Transfer to general reserves	-	50,000,000	(50,000,000)	-
Final dividend paid for the year ended June 30, 2008 at the rate of PKR 2.0 per share	-	-	(6,000,000)	(6,000,000)
Balance as at June 30, 2009	30,000,000	900,000,000	54,716,498	984,716,498
Profit for the year ended June 30, 2010.	-	-	421,836,525	421,836,525
Final dividend paid for the year ended June 30, 2009 at the rate of PKR 2.0 per share	-	-	(6,000,000)	(6,000,000)
Transfer to general reserves	-	400,000,000	(400,000,000)	-
Balance as at June 30, 2010	30,000,000	1,300,000,000	70,553,023	1,400,553,023

The annexed notes form an integral part of these financial statements.

Mohammad Salim  
Chief Executive

Mohammad Shakeel  
Director

Karachi:  
Dated: 24<sup>th</sup> September, 2010



BHANERO TEXTILE MILLS LIMITED

Statement of Comprehensive Income  
For the Year Ended 30<sup>th</sup> June 2010

Note	30 <sup>th</sup> June 2010 Rupees	30 <sup>th</sup> June 2009 Rupees
Profit for the year after taxation	421,836,525	80,874,529
Other comprehensive income for the year	-	-
Total comprehensive Income for the year	<u>421,836,525</u>	<u>80,874,529</u>

The annexed notes form an integral part of these financial statements

Mohammad Salim  
Chief Executive

Mohammad Shakeel  
Director

Karachi:  
Dated: 24<sup>th</sup> September, 2010



## BHANERO TEXTILE MILLS LIMITED

### Notes to and forming part of financial statements for the year ended 30<sup>th</sup> June , 2010

#### 1 THE COMPANY AND ITS OPERATIONS

- 1.1 Bhanero Textile Mills Limited ("the Company") was incorporated on 30th March 1980 as a public limited company in Pakistan under Companies Ordinance, 1984 and is quoted on all stock exchanges of Pakistan. The registered office of the Company is located at Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area Karachi.
- 1.2 The company is principally engaged in manufacturing and sales of yarn and fabric. The production facilities are located at Kotri, District Dadu in the province of Sindh and Feroz Watwan, District Sheikhpura in the province of Punjab.

#### 2 BASIS OF PREPARATION

##### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

##### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for derivative financial instruments that are stated at fair value.

##### 2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the company's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest Rupee.

##### 2.4 Use Of Estimates And Judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 47 to these financial statements.

##### 2.5 Standards, interpretations and amendments to published approved accounting standards

###### 2.5.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

- IAS - 1; Presentation of financial statements (Revised 2007). The revised standard has brought about terminology changes, and changes in format and content of the financial statements. A new term "Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with shareholders in their capacity as shareholders, has been introduced, along with new titles for the financial statements. The Company has applied this standard retrospectively, but only to the extent it is consistent with the requirements of



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

the Companies Ordinance, 1984 and the Rules and Regulations made thereunder. Certain requirements of the standard, including change of titles for financial statements, that are in conflict with the Companies Ordinance, 1984 and the Rules and Regulations made thereunder, have not been applied in presenting these financial statements. The application of this standard has resulted in presentation of all non-owner changes in equity, other than profit after taxation, which is presented in profit and loss account, separately from owner changes, in 'Statement of Other Comprehensive Income'. There are no other adjustments in current or prior periods, however the removal of above mentioned inconsistencies and conflicts in future, will cause further changes in content and format of these financial statements.

- ❑ IAS 23 (Amendment), "Borrowing costs" requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs has been removed. Further, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 "financial Instrument: Recognition and measurement". There is no material impact on the company financial statements due to change in the interest calculation method.
- ❑ Amended IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transactions. When the group losses controls of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard does not to have an effect on the company's financial statements.
- ❑ IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost methods from IAS - 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The application of the standard does not to have an effect on the company's financial statements.
- ❑ Amendments to IAS - 32 Financial Instruments : Presentation and IAS - 1 Presentation of Financial Statements (effective for annual period beginning on after 01 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidations requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which vrequires retrospective application, does not have any impact on the company's financial statements.
- ❑ Amendment to IAS - 39 Financial Instruments : Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment does not have an effect on the company's financial statements.
- ❑ Amendments to IAS - 39 and IFRIC - 9 Embedded derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments does not have an effect on company's financial statements.
- ❑ Amendment to IFRS - 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard does not have any effect on the company's financial statements.
- ❑ Amendment to IFRS - 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in



## BHANERO TEXTILE MILLS LIMITED

### Notes to and forming part of financial statements for the year ended 30<sup>th</sup> June, 2010

either an equity-settled or a cash-settled payment transactions to account for the transaction in its separate or individual financial statements. The application of this standard does not have any effect on the company's financial statements.

- ❑ Revised IFRS - 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard does not have an effect on the company's financial statements.
- ❑ IFRS - 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the company's operations.
- ❑ Amendment to IFRS - 7 Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS - 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.
- ❑ IFRS - 8 Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS - 8 requires a change in the presentation and disclosure of segment information based on the internal reports that is regularly reviewed by the company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. The company determines and presents operating segments based on the information that internally provided to CEO, who is the company chief operating decision maker. The new accounting policy in respect of operating segment disclosures is disclosed in note 3.21.
- ❑ IFRIC - 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the company's operations.
- ❑ IFRIC - 16 Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The IFRIC is not relevant to the company's operations.
- ❑ IFRIC - 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the company's financial statements.



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

- IFRIC - 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the company's operations.

### 2.5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than increased disclosures in certain cases.

- IFRS 2 (Amendments), "Group cash settled and share based payment transactions", is effective for the accounting period beginning on or after January 1, 2010. In addition to incorporating IFRIC 8, "Scope of IFRS 2" and IFIRC 11, IFRS 2 - "Group and treasury share transactions", the amendments expand on the guidance in IFRC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the company's financial statements.
- IFRS 8 (Amendment), "Disclosure of information about segment assets" (effective for the accounting period beginning on or after January 1, 2010). This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. The new guidance is not expected to have material impact on the company's financial statements.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

### 3.2 Employee benefits

#### Short term employees benefits

The company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

#### Post retirement benefits

##### Defined benefit plans

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit or loss. The determination of the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.





## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost. Actuarial gains and losses are recognized in profit or loss for the period in which these arise.

### 3.3 Taxation

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

#### Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or 0.5% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

#### Deferred

Deferred tax is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

### 3.4 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 3.5 Trade and other payables

Liabilities for trade and other amounts payable are recognized and carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

### 3.6 Dividend

Dividend is recognized as a liability in the period in which it is approved by shareholders.

### 3.7 Property, plant and equipment and depreciation

#### Owned assets

Property, plant and equipment, except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work-in-progress are stated at cost.

#### Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

### Depreciation

Depreciation is charged to income on reducing balance method over its estimated useful life at the rates specified in property, plant and equipment note. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is material.

The gain or loss on disposal of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

### Impairment

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

### Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Depreciation is charged on the same basis as used for owned assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

### 3.8 Capital work in process

Capital work in progress and stores held for capital expenditure are stated at cost and represents expenditure incurred on property, plant and equipment during construction and installation. Cost includes borrowing cost as referred in accounting policy of borrowing cost. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

### 3.9 Investments

#### Investment available for sale

Investment available for sale are initially recognized at fair value plus attributable transactions costs. Subsequent to initial recognition these are measured at fair value, with any resultant gain or loss being recognized directly in equity. Gains or losses on available-for-sale investments are recognized directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in current year's profit and loss account.

### 3.10 Derivative financial instruments

The Company enters into derivative financial instruments, which include future contracts. Derivatives are initially recorded at cost and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is the equivalent of the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized losses) are included in other liabilities in the balance sheet. The resultant gains and losses from derivatives held for trading purposes are included in income currently. No derivative is designated as hedging instrument by the Company.

### 3.11 Stores and spares

Stores and spares are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

### 3.12 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value applying the following basis;

Raw material	At weighted average cost
Work in progress	At average manufacturing cost
Finished goods	At average manufacturing cost
Waste	Net realizable value

Raw material in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date.

Average manufacturing cost in relation to work in process and finished goods, consist of direct material and proportion of manufacturing overheads based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

### 3.13 Trade debts and other receivables

These are carried at original invoice amount less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

### 3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in transit and balances with bank for the purpose of cash flow statement.

### 3.15 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer.

Interest income is recognized on the basis of constant periodic rate of return.

Dividend income is recognized when the right to receive dividend is established i.e. the book closure date of the investee company declaring the dividend.

### 3.16 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

### 3.17 Impairment

All company's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment losses are recognized in the profit and loss account currently.

### 3.18 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are retranslated into Pak Rupees at the rates of exchange prevailing at the balance sheet date.

Exchange differences, if any, are taken to profit and loss account.



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

### 3.19 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

### 3.20 Transactions with related party

Transactions with related parties are priced at comparable uncontrolled market price. All transactions involving related parties arising in the normal course business are conducted at arm's length using valuation modes, as admissible, except for loan from sponsors/ relatives which has been carried at amortized cost, which has been computed using an imputed interest rate of 12.0% per annum. Parties are said to be related when they meet the definition as provided in the Companies Ordinance 1984.

### 3.21 Segment reporting

Segment reporting is based on the operating (business) segments of the company. An operating segment is a component of the company that engages in a business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the company's other components. An operating segment's operating results are reviewed by the CEO to make decision about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprises mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

The business segments are engaged in providing products and services which are subject to risks and rewards which differ from the risk and reward of other segment Segments reported are Spinning, Weaving and Power Generation, Which also reflects the management structure of company. Capital Management

## 4 Capital Management

The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital and level of dividends to ordinary shareholders. The company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the company's approach to capital management during the year. Further the company is not subject to externally imposed capital requirements.

## 5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

June 2010	June 2009		June 2010 Rupees	June 2009 Rupees
Number of shares				
1,762,500	1,762,500	Ordinary shares of PKR 10 each allotted for consideration'- fully paid in cash	17,625,000	17,625,000
1,237,500	1,237,500	Ordinary shares of Rs 10. each allotted as bonus shares	12,375,000	12,375,000
<u>3,000,000</u>	<u>3,000,000</u>		<u>30,000,000</u>	<u>30,000,000</u>



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

### 6 LOAN FROM SPONSORS AND RELATIVES

Face value of loan	100,000,000	100,000,000
Unamortized imputed interest	-	(10,714,285)
	<u>100,000,000</u>	<u>89,285,715</u>

This loan has been obtained from sponsors of company and their relatives, and it is interest free. The loan is repayable by June 2011, however there is no fixed schedule for repayment of this loan. The loan has been carried at amortized cost which has been computed using an imputed interest rate of 12.0% per annum.

### 7 LONG TERM FINANCING - SECURED

		LTF-EOP loans Rupees	NON-LTF loans Rupees	June 2010 Rupees	June 2009 Rupees
From Financial Institutions					
United Bank Limited - Term Loan	7.1	-	150,000,000	150,000,000	150,000,000
United Bank Limited - Term Loan	7.2	-	59,219,036	59,219,036	104,609,519
United Bank Limited - Term Loan	7.3	91,475,936	-	91,475,936	160,023,678
Habib Bank Limited - Term Loan	7.4	138,101,091	5,554,576	143,655,667	211,907,687
United Bank Limited - Term Loan	7.5	49,431,414	15,284,292	64,715,706	92,357,853
		<u>279,008,441</u>	<u>230,057,904</u>	<u>509,066,345</u>	<u>718,898,737</u>
Less: current maturity					
United Bank Limited - Term Loan	7.1	-	150,000,000	150,000,000	-
United Bank Limited - Term Loan	7.2	-	50,000,000	50,000,000	45,390,483
United Bank Limited - Term Loan	7.3	91,475,936	-	91,475,936	68,547,744
Habib Bank Limited - Term Loan	7.4	92,067,396	5,554,576	97,621,972	68,252,018
United Bank Limited - Term Loan	7.5	24,715,706	15,284,290	39,999,996	27,642,147
		<u>208,259,038</u>	<u>220,838,866</u>	<u>429,097,904</u>	<u>209,832,392</u>
		<u>70,749,403</u>	<u>9,219,038</u>	<u>79,968,441</u>	<u>509,066,345</u>

Security	Repayment	Markup on LTF	Markup Rates on NON- LTF
7.1 Equitable mortgage charge of PKR 553 M registered on 14-Mar 05 through a supplementary MOTD dated 08-March-05 on that all piece and parcel of land with all construction, fixtures and fittings, thereon and machinery installed therein, bearing plot # E/2, SITE, Kotri.	After Twenty month from the date of disbursement	-	1 month KIBOR + 1 % (2009: 1 month KIBOR + 0.40%)
7.2 First equitable mortgage charge over land, building, fitting and fixtures and plant and machinery of PKR 553.0 Million of unit - I situated at SITE Kotri Sindh.	Repayable in ten half yearly installments, commencing from September 16, 2006.	7%	6 months KIBOR+1% ( 2009: 6 months KIBOR + 1%)
7.3 First pari passu equitable mortgage charge over land and building and 1st pari passu hypothecation charge on plant & machinery of PKR 534.0 million of unit III located at Ferroz waton, Sheikhpura-Faisalabad Road, Sheikhpura	Repayable in fourteen semi annual installments with expiry date by June 24, 2010..	7%	3 months KIBOR+1% ( 2009: 3 months KIBOR + 1%)



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

Security	Repayment	Markup on LTF	Markup Rates on NON- LTF
7.4 First pari passu equitable mortgage charge over land and building and 1st pari passu hypothecation charge on plant & machinery of PKR 534.0 million of unit III located at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura	Repayable in fourteen semi annual installments with expiry date by July 19, 2010.( Non -LTF) & by October 31, 2010. (LTF).	7%	3 months KIBOR+1% ( 2009: 3 months KIBOR + 1%)
7.5 First pari passu charge of PKR 267.0 million over present and future fixed assets of unit - II of the Company located at Ferrozwatton, Sheikhpura-Faisalabad Road, sheikhpura.	Repayable in ten equal semi annual installments commencing from December 21, 2007	7%	6 months KIBOR + 2.25% ( 2009 : 6 months KIBOR + 2.25 %

7.6 The company has entered into two interest rate swap agreements with various banks for a notional amount of PKR 650.0 Million (2009: 650 Million), maturing upto October 2011. The outstanding balance of these arrangements is PKR 202.874 Million (2009: 316.517 Million) as at the balance sheet date. Under the swap arrangements, the company would receive three and six months KIBOR rates and pay fixed rates of mark-up ranging between 10.90% to 11.25% as per the respective arrangements, which will be settled quarterly and semi-annually. As at the balance sheet date, the net fair value of these interest rate swaps was PKR 2.725 Million (2009: PKR 5.2 Million) in favour of the company.

### 8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance obtained under various lease agreements. The total minimum lease payments are payable in thirty six equal monthly installments. The internal rate of return is around 14% to 17% (2009: 17%) per annum are used as discounting factor. The lease agreement contains bargain purchase option. Taxes, repairs, replacement and insurance costs are borne by the company.

	June 2010 Rupees	June 2009 Rupees
Present value of minimum lease payments	15,442,448	11,658,801
Current portion	(6,226,754)	(3,392,486)
	9,215,694	8,266,315



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
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8.1 The reconciliation between gross minimum lease payments, future financial charges and present value of minimum lease payments is as under:

	June 2010 Rupees	June 2009 Rupees
Gross minimum lease payments		
Not later than one year	7,688,172	4,782,828
Later than one year but not later than five years	9,809,845	9,147,042
	17,498,017	13,929,870
Finance charges allocated to future period		
Not later than one year	1,461,418	1,390,342
Later than one year but not later than five years	594,151	880,727
	2,055,569	2,271,069
Present value of minimum lease payments		
Not later than one year	6,226,754	3,392,486
Later than one year but not later than five years	9,215,694	8,266,315
	15,442,448	11,658,801
Current portion	(6,226,754)	(3,392,486)
	<u>9,215,694</u>	<u>8,266,315</u>

### 9 DEFERRED LIABILITIES

Employee benefits	9.2	52,780,190	45,777,015
Deferred taxation	9.3	85,569,199	133,654,155
Infrastructure fee	9.4	31,224,995	24,134,372
		<u>169,574,384</u>	<u>203,565,542</u>

9.1 Valuation has been carried out internally by the management of the Company as at June 30, 2010 using the projected unit credit method assuming a discount rate of 13.5% (2009: 14%) per annum and expected rate of increase in salaries at 13.5% (2009: 14%) per annum.

9.2 Movement in net liability recognized in the balance sheet

Present value of defined benefits obligation - at the beginning of the year		45,777,015		36,264,577
Charged to profit and loss account	9.2.1	16,954,365		18,792,167
Benefits paid during the year		<u>(9,951,190)</u>		<u>(9,279,729)</u>
Present value of defined benefits obligation - at the end of the year		<u>52,780,190</u>		<u>45,777,015</u>

9.2.1 The following amounts have been charged to the profit and loss account during the current year

Current service cost		15,246,995		14,147,971
Interest cost		841,150		1,874,448
Actuarial (gains) / losses recognized during the period		<u>866,220</u>		<u>2,769,748</u>
Net amount chargeable to profit and loss account		<u>16,954,365</u>		<u>18,792,167</u>

9.2.2 There is no unrecognized actuarial loss / gain.

9.2.3 Historical information

	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees
Present value of defined benefits obligation	52,780,190	45,777,015	36,264,577	37,300,279	34,077,971
Experience adjustments on plan liabilities	866,220	2,769,748	1,426,295	4,227,320	2,263,023



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

	June 2010	June 2009
	Rupees	Rupees
9.3 Deferred taxation		
The liability for deferred taxation comprises timing differences relating to:		
Accelerated tax depreciation on owned assets	99,044,766	146,044,452
Provision for employee benefit	(7,856,729)	(9,246,755)
Finance lease	1,443,103	(380,437)
Provision for doubtful debts	(6,996,890)	(2,763,105)
Provision for diminution in value of investments	(65,051)	-
	(13,475,567)	(12,390,297)
	85,569,199	133,654,155
9.4 This represents amount payable to Excise and Taxation Department, Government of Sindh in respect of infrastructure fee. The company has filed appeal before the Honorable Supreme Court of Pakistan against the decision of Sindh High Court ("SHC") on account of levy of said fee on imports by the company. During the pendency of decision on appeal, SHC has directed that imports of the company be released against furnishing of bank guarantees. The company has provided guarantees amount to PKR 31.8 Million (2009: PKR 22.80 Million) in this respect.		
10 TRADE AND OTHER PAYABLES		
Creditors	145,750,105	114,718,014
Accrued liabilities	76,796,554	58,160,849
Workers' profit participation fund 10.1	22,557,270	15,387,655
Unclaimed dividend	257,757	246,176
Others	490,533	825,536
	245,852,219	189,338,230
10.1 Workers' profit participation fund		
Opening balance	15,387,655	13,986,866
Interest on funds utilized in the Company's business 10.1.1	1,077,135	2,502,684
	16,464,790	16,489,550
Paid to the fund	(16,464,790)	(6,345,277)
	-	10,144,273
Allocation for the year	22,557,270	5,243,382
	22,557,270	15,387,655
10.1.1 Interest on workers' profit participation fund has been provided @ 15.50% (2009: 18.75%) per annum.		
11 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES		
Mark-up accrued on secured:		
- long-term financing	8,975,446	11,561,971
- short-term borrowings	11,981,432	33,830,785
- liabilities against assets subject to finance lease	-	118,922
	20,956,878	45,511,678





## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

### 12 SHORT TERM BORROWINGS - SECURED

		June 2010	June 2009
From banking companies		Rupees	Rupees
Short term loan	12.2	716,291,227	888,952,309
Over Draft		-	2,122,226
		716,291,227	891,074,535

12.1 The aggregate approved short term borrowing facilities amounted to PKR 3,195 million (2009: PKR 1,970 million).

12.2 These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.7% to 1.5 % (2009: 1 to 3 month KIBOR + spreads between 0.5 to 1.5%) per annum payable quarterly. These are secured against hypothecation charge on stock and receivables.

### 13 CURRENT PORTION OF LONG TERM BORROWINGS

Long-term financing	7	429,097,904	209,832,392
Liabilities against assets subject to finance lease	8	6,226,754	3,392,486
		435,324,658	213,224,878

### 14 CONTINGENCIES AND COMMITMENTS

#### Contingencies

14.1 The Company has issued post dated cheques amounting to PKR 699,753 (2009: PKR 699,753) in favor of Collector of Customs in lieu of custom levies against various statutory notifications. The indemnity bonds furnished by the company are likely to be released after the fulfillment of term of related SROs.

14.2 The company has issued post dated cheque amounting to PKR 372,141 in favor of Collector of Customs in lieu of Regulatory duty imposed on export of yarn sales. The imposition of regulatory duty on yarn export sales has been challenged by company in the Sindh High Court. The Honorable Sindh High Court has granted stay. During the pendency of cases yarn export sales has been made by issuing post dated cheque. The company expects a favorable outcome.

14.3 In normal course of business, commercial banks have issued guarantees on behalf of the company amounting to PKR 42.185 Million (2009: PKR 41.346 Million)

14.4 Local bills discounted.		38,591,520	34,411,000
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#### Commitments

Letter of credit (for store, raw material and machinery)		120,336,795	14,035,466
Capital work in progress		6,500,000	-



## BHANERO TEXTILE MILLS LIMITED

### Notes to and forming part of financial statements for the year ended 30<sup>th</sup> June, 2010

15 PROPERTY, PLANT AND EQUIPMENT

Year Ended June 30, 2010

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2010	Rate
	As at July 01, 2009	Additions / (disposals)	Transfers	As at June 30, 2010	As at July 01, 2009	For the year	Transfers / (disposal)	As at June 30, 2010		
	Rupees									
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	121,161,224	530,512	-	121,691,736	-	-	-	-	121,691,736	-
Building on leasehold land	99,793,655	-	-	99,793,655	57,422,997	3,385,109	-	60,808,106	38,985,549	10%
Building on freehold land	288,607,663	-	136,005	288,743,668	119,490,473	16,923,052	-	136,413,525	152,330,143	10%
Office premises on leasehold land	29,618,120	-	-	29,618,120	9,584,801	1,001,666	-	10,586,467	19,031,653	5%
Office premises on freehold land	73,591,341	-	-	73,591,341	18,022,839	2,778,426	-	20,801,265	52,790,076	5%
Plant and machinery	2,222,560,677	2,012,900 (12,774,526)	641,350 3,249,021	2,215,689,422	996,155,547	124,843,322	(9,328,570) 2,342,229	1,114,012,528	1,101,676,894	10%
Equipments and other assets	20,120,100	-	885,680	21,005,780	10,064,160	5,395,968	-	15,460,128	5,545,652	33%
Electric Installation	22,449,872	-	(700,000)	21,749,872	6,764,071	1,517,078	(184,975)	8,096,174	13,653,698	10%
Gas Line & Pipe	7,180,289	-	-	7,180,289	2,016,903	516,339	-	2,533,242	4,647,047	10%
Cooling towers	5,223,570	-	-	5,223,570	1,338,771	388,480	-	1,727,251	3,496,319	10%
Ventilation system	1,461,897	-	-	1,461,897	346,835	111,506	-	458,341	1,003,556	10%
Boiler	18,244,925	-	-	18,244,925	4,345,001	-	-	4,345,001	13,899,924	33%
Factory equipments	17,651,640	-	(4,044,611)	13,607,029	13,503,434	290,834	(2,951,238)	10,843,030	2,763,999	10%
Furniture and fixtures - Factory	6,191,080	-	(872,972)	5,318,108	3,697,513	216,044	(539,845)	3,373,712	1,944,396	10%
Office equipments	19,356,445	1,018,621	(129,730)	20,245,336	12,109,602	736,104	(96,258)	12,749,448	7,495,888	10%
Furniture and fixtures	-	-	872,972	872,972	-	33,313	539,845	573,158	299,814	10%
Vehicles	35,226,300	3,271,993 (4,427,512)	1,625,320	35,696,101	21,720,294	3,039,157	(3,767,221) 890,242	21,882,472	13,813,629	20%
	2,988,872,212	6,834,026 (17,202,038)	1,663,035	2,980,167,235	1,276,583,241	161,176,398	(13,095,791)	1,424,663,848	1,555,503,387	
Assets subject to finance lease										
Vehicles	13,637,520	8,639,450	-	22,276,970	1,591,044	3,034,495	-	4,625,539	17,651,431	10%
	13,637,520	8,639,450	-	22,276,970	1,591,044	3,034,495	-	4,625,539	17,651,431	
June 30, 2010	3,002,509,732	15,473,476 (17,202,038)	1,663,035	3,002,444,205	1,278,174,285	164,210,893	(13,095,791)	1,429,289,387	1,573,154,818	

Additions includes direct capitalizations.

Transfer to owned assets includes transfers from capital work in progress on the related assets becoming available for use.



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

Year Ended June 30, 2009

PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2009	Rate
	As at July 01, 2008	Additions / (disposals)	Transfers	As at June 30, 2009	As at July 01, 2008	For the year	(Disposal)	As at June 30, 2009		
	Rupees									
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	121,161,224	-	-	121,161,224	-	-	-	-	121,161,224	-
Building on leasehold land	91,104,326	-	8,689,329	99,793,655	53,261,099	4,161,898	-	57,422,997	42,370,658	10%
Building on freehold land	287,463,237	-	1,144,426	288,607,663	100,735,718	18,754,755	-	119,490,473	169,117,190	10%
Office premises on leasehold land	29,618,120	-	-	29,618,120	8,530,416	1,054,385	-	9,584,801	20,033,319	5%
Office premises on freehold land	73,591,341	-	-	73,591,341	15,098,181	2,924,658	-	18,022,839	55,568,502	5%
Plant and machinery	2,192,101,286	849,984 (463,600)	30,073,007 -	2,222,560,677	861,775,515	134,613,625	(233,593)	996,155,547	1,226,405,130	10%
Equipments and other assets	16,931,027	1,076,000	2,113,073	20,120,100	5,589,911	4,474,249	-	10,064,160	10,055,940	33%
Electric Installation	22,449,872	-	-	22,449,872	5,021,204	1,742,867	-	6,764,071	15,685,801	10%
Gas Line & Pipe	7,180,289	-	-	7,180,289	1,443,193	573,710	-	2,016,903	5,163,386	10%
Cooling towers	4,528,720	-	694,850	5,223,570	952,163	386,608	-	1,338,771	3,884,799	10%
Ventilation system	1,461,897	-	-	1,461,897	222,939	123,896	-	346,835	1,115,062	10%
Boiler	18,244,925	-	-	18,244,925	2,800,565	1,544,436	-	4,345,001	13,899,924	33%
Factory equipments	17,343,644	-	307,996	17,651,640	12,956,975	546,459	-	13,503,434	4,148,206	10%
Office equipments	19,267,325	-	89,120	19,356,445	11,306,853	802,749	-	12,109,602	7,246,843	10%
Furniture and fixtures	5,966,600	-	224,480	6,191,080	3,440,107	257,406	-	3,697,513	2,493,567	10%
Vehicles	37,313,590	1,225,040 (3,312,330)	-	35,226,300	21,182,807	3,428,540	(2,891,053)	21,720,294	13,506,006	20%
	2,946,160,837	3,151,024 (3,775,930)	43,336,281 -	2,988,872,212	1,104,317,646	175,390,241	(3,124,646)	1,276,583,241	1,712,288,971	
Assets subject to finance lease										
Vehicles	-	13,637,520	-	13,637,520	-	1,591,044	-	1,591,044	12,046,476	10%
	-	13,637,520	-	13,637,520	-	1,591,044	-	1,591,044	12,046,476	
June 30, 2009	2,946,160,837	16,788,544 (3,775,930)	43,336,281 -	3,002,509,732	1,104,317,646	176,981,285	(3,124,646)	1,278,174,285	1,724,335,447	

June 30, 2010      June 30, 2009

15.1 The depreciation charge for the year has been allocated as follows:

	Rupees	Rupees
Cost of goods sold	30	157,055,110
Administrative expenses	33	7,155,783
		<u>164,210,893</u>
		<u>176,981,285</u>



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

### 15.2 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Year Ended June 30, 2010							
Description	Cost	Accumulated depreciation	Written down value	Proceeds from disposal of property, plant and equipment	Gain / (loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of buyer
Machinery							
Generator	6,776,299	4,156,081	2,620,218	2,700,000	79,782	Negotiation	City Towers Management Company Main Boulevard Gulberg Lahore.
Auto cone machine	5,998,227	5,172,489	825,738	2,300,000	1,474,262	Negotiation	H. A. Fibers (Private) Limited
Vehicles							
HONDA CITY ACZ-459	826,800	743,479	83,321	200,000	116,679	Negotiation	203 - 204, 2nd Floor, Regency Plaza, Lahore. Mr. Mohammad Hashim Mohala Ali Bahadur Road, Quetta.
HONDA CIVIC LRG-1225	1,129,175	911,116	218,059	300,000	81,941	Negotiation	Mr. Liaquat Basti no. 21, Tufail Road, R. A. Bazar, Cantt, Lahore.
LXX-7472	818,040	689,230	128,810	250,000	121,190	Negotiation	Mr. Sajjad Ahmed
LXZ-2235	820,390	718,996	101,394	200,000	98,606	Negotiation	House no. 12, Street no. 1, New Samnabad Lahore. Mr. Mohammad Abbas
LRS-5788	833,107	704,400	128,707	200,000	71,293	Negotiation	House no. 2, Street no. 6, New Mazang Lahore. Mr. Mansoor Salim
							House no. 4, Hurbans Pura Lahore.
30-Jun-10	<u>17,202,038</u>	<u>13,095,791</u>	<u>4,106,247</u>	<u>6,150,000</u>	<u>2,043,753</u>		

Year Ended June 30, 2009							
Description	Cost	Accumulated depreciation	Written down value	Proceeds from disposal of property, plant and equipment	Gain / (loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of buyer
Machinery							
	463,600	233,593	230,007	400,000	169,993	Negotiation	M/s Ali Sher & Sons
Vehicles							
KAR-5482	63,000	57,250	5,750	63,000	57,250	Negotiation	64 Liaquat Market, M. A. Jinnah Road, Karachi Mr. M. Salim Raza Khan
KDT-6761	58,490	2,925	55,565	56,000	435	Negotiation	R-735, 11-C-1, Sir Syed Town North Karachi UBL Insurance Limited
ABR-311	586,155	538,899	47,256	300,000	252,744	Negotiation	8th Floor, State Life Building no. 02 Karachi Mr. Badar Naseer , Sui Northren Housing Society Lahore
LXH-1071	879,490	807,248	72,242	110,000	37,758	Negotiation	Mr. Abdul Muneer Khan
LXO-3171	1,080,500	941,822	138,678	170,000	31,322	Negotiation	H# 8/1, BLOCLK NO. 17 Mahala Bitai Street Sodiwal Colny Multan Road Lahore Mr. Sohail Akther
LXJ-9623	302,355	278,439	23,916	240,000	216,084	Negotiation	H# 21 Street No. 3 Mahala Taj Park Raj Guarh Lahore Syed Asad Akram
LRG-9462	342,340	264,470	77,870	200,000	122,130	Negotiation	H# 598/C Mahla Shad BaghLahore Mr. Wasif Khawaja
							House no. 72/B, Street no. 3, Lahore
30-Jun-09	<u>3,775,930</u>	<u>3,124,646</u>	<u>651,284</u>	<u>1,539,000</u>	<u>887,716</u>		



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

	June 2010 Rupees	June 2009 Rupees
<b>16 CAPITAL WORK IN PROGRESS</b>		
Building and other civil work	7,026,781	2,257,683
Machinery	59,868,560	320,675
	<u>66,895,341</u>	<u>2,578,358</u>
<b>17 LONG TERM INVESTMENTS</b>		
Available for sale		
50,000 ordinary shares of Rs. 10 each.	17.1 500,000	500,000
Provision for diminution in the value of investments	17.2 (437,000)	(125,000)
	<u>63,000</u>	<u>375,000</u>
17.1 The investment is made in listed company, Taha Spinning Mills Limited, which is available for sale.		
17.2 The market value of these shares was PKR 1.26 per share as at June 30, 2010 (June 2009: PKR 7.50 per share)		
<b>18 LONG TERM LOANS AND ADVANCES - SECURED</b>		
Un-secured but considered good		
Loan and advances to staff	18.1 14,064,609	14,865,212
Current portion of long term loan	(3,257,623)	(4,619,958)
	<u>10,806,986</u>	<u>10,245,254</u>
18.1 The above loan under the terms of employment have been given interest free to facilitate needs of employees repayable in monthly installments over a period of two to five years. These loans are secured against retirement benefits of the employees.		
18.2 Interest @ 13% on above loan has been accounted at full rate of 35% as provision for income tax payable.		
<b>19 LONG TERM DEPOSITS</b>		
With Leasing companies	3,217,800	1,972,800
Electricity	5,487,820	27,087,820
Telephone	67,900	67,900
Others	841,676	1,000,476
	<u>9,615,196</u>	<u>30,128,996</u>
<b>20 STORES, SPARES AND LOOSE TOOLS</b>		
Stores	41,119,776	33,995,209
Packing material	8,033,036	5,560,573
	<u>49,152,812</u>	<u>39,555,782</u>
20.1 No item of stores, spares and loose tools is pledged as security as at reporting date.		
<b>21 STOCK IN TRADE</b>		
Raw material	645,828,621	539,795,256
Raw material in transit	106,703,931	-
Work in process	66,539,256	54,724,507
Finished goods	21.1 132,047,235	203,906,137
Waste	660,514	1,328,568
	<u>951,779,557</u>	<u>799,754,468</u>



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

21.1 Finished goods of PKR 1.852 Million (2009: PKR 2.345) are being carried at net realizable value.

21.2 No item of stock in trade is pledged as security as at reporting date.

	June 2010 Rupees	June 2009 Rupees
<b>22 TRADE DEBTS</b>		
Foreign - secured against letter of credit	18,972,389	3,410,649
Local - unsecured - considered good	368,257,401	440,578,020
Local - unsecured - considered doubtful	46,703,649	6,978,974
	<u>433,933,439</u>	<u>450,967,643</u>
Provision for doubtful debts.	<u>(46,703,649)</u>	<u>(6,978,974)</u>
	<u><u>387,229,790</u></u>	<u><u>443,988,669</u></u>
22.1 Particulars of provision for doubtful receivables		
Provision for bad debts at the beginning of year	6,978,974	6,978,974
Bad debts provision provided during the year	44,428,982	-
Bad debts recovered during the year	<u>(4,704,307)</u>	<u>-</u>
Provision for bad debts at the end of year	<u><u>46,703,649</u></u>	<u><u>6,978,974</u></u>
<b>23 LOANS AND ADVANCES</b>		
Advances to :		
Suppliers - unsecured but considered good	16,696,070	224,933
Suppliers - unsecured and considered doubtful	5,079,001	5,116,550
Prepaid	893,141	1,059,143
Current portion of loan to employees	18 3,257,623	4,619,958
	<u>25,925,835</u>	<u>11,020,584</u>
Provision for doubtful supplier advances	23.1 <u>(5,079,001)</u>	<u>(5,116,550)</u>
	<u><u>20,846,834</u></u>	<u><u>5,904,034</u></u>
23.1 Particulars of Provision for doubtful receivables		
Provision for bad debts at the beginning of year	5,116,550	5,216,550
Bad debts provision provided during the year	-	-
Bad debts recovered during the year	<u>(37,549)</u>	<u>(100,000)</u>
Provision for bad debts at the end of year	<u><u>5,079,001</u></u>	<u><u>5,116,550</u></u>
<b>24 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>		
Trade deposits	20,000	20,000
Deposits against infrastructure fees	24.1 31,800,000	22,800,000
Margin against letter of credit	2,364	299,238
	<u>31,822,364</u>	<u>23,119,238</u>
24.1 Effective mark up rate on these deposits @ 7% (June 30, 2009: 3% to 7%) per annum.		
<b>25 OTHER RECEIVABLES - UNSECURED BUT CONSIDERED GOOD</b>		
Letter of credit	2,626	3,340,132
KMC refundable - Considered doubtful	680,624	680,624
Other receivables	1,784,591	1,715,692
Regulatory duty refundable	2,528,078	-
	<u>4,995,919</u>	<u>5,736,448</u>
Provision for doubtful receivables	<u>(680,624)</u>	<u>(680,624)</u>
	<u><u>4,315,295</u></u>	<u><u>5,055,824</u></u>



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

	June 2010 Rupees	June 2009 Rupees
<b>26 TAXATION</b>		
Income tax paid	73,705,171	36,992,056
Provision for taxation		
Current year	(55,018,752)	(16,382,083)
Prior years	(1,573,901)	(1,546,522)
	(56,592,653)	(17,928,605)
	17,112,518	19,063,451
<b>27 SALES TAX REFUNDABLE</b>		
Sales tax and federal excise duty refundable	18,730,641	7,279,625
1% Special excise duty refundable	1,519,637	902,888
Provision for non refundable	(1,519,637)	(902,888)
	-	-
	18,730,641	7,279,625
<b>28 CASH AND BANK BALANCES</b>		
Cash in hand	-	-
Balances with banks on:		
Current accounts	31,064,424	22,566,347
Foreign currency account - current	5,146,948	99,243
	36,211,372	22,665,590
<b>29 SALES - NET</b>		
Export		
Yarn	2,356,137,241	606,903,187
Fabric	1,732,533,049	401,111,357
	4,088,670,290	1,008,014,544
Duty drawback	249,551	121,300
Local	4,088,919,841	1,008,135,844
Yarn	483,324,475	1,619,352,043
Fabric	82,880,550	1,125,261,255
Cotton	81,495,802	10,552,728
Processing	12,290,054	8,982,790
Waste	52,775,516	53,987,210
	712,766,397	2,818,136,026
Gross Sales	4,801,686,238	3,826,271,870
Regulatory duty	(845,034)	-
Commission on sales	(63,554,988)	(44,715,356)
	(64,400,022)	(44,715,356)
	4,737,286,216	3,781,556,514



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

		June 30 2010 Rupees	June 30 2009 Rupees
<b>30 COST OF GOODS SOLD</b>			
Raw material consumed	30.1	2,583,555,690	2,241,720,763
Packing material		41,454,856	41,122,485
Stores, spares and loose tools		129,155,348	120,107,387
Salaries, wages and benefits	30.2	264,130,562	241,073,379
Processing charges		2,521,579	5,082,257
Fees and subscription		142,924	64,395
Fuel power and water		454,287,116	386,168,410
Electricity duty		2,527,574	2,292,037
Insurance		10,699,110	10,974,081
Vehicle running and maintenance		4,531,092	3,970,137
Rent, rate and taxes		515,723	403,635
Repairs and maintenance		7,798,550	4,818,205
Communication		581,089	595,490
Traveling and conveyance		990,989	840,848
Depreciation	15.1	157,055,110	170,632,982
Others		1,280,761	715,586
		<u>3,661,228,073</u>	<u>3,230,582,077</u>
Work in process			
Opening stock		54,724,507	51,641,689
Closing stock		(66,539,256)	(54,724,507)
		<u>(11,814,749)</u>	<u>(3,082,818)</u>
Cost of goods manufactured		<u>3,649,413,324</u>	<u>3,227,499,259</u>
Cost of cotton sold	30.3	92,500,024	11,078,135
Finished stocks			
Opening stock		205,234,705	199,024,090
Finished goods purchases		84,678,572	52,932,744
Closing stock		(132,707,749)	(205,234,705)
		<u>157,205,528</u>	<u>46,722,129</u>
		<u>3,899,118,876</u>	<u>3,285,299,523</u>
30.1 Raw material consumed			
Opening stock		539,795,256	711,160,193
Purchases - net		2,795,181,519	2,093,781,484
		<u>3,334,976,775</u>	<u>2,804,941,677</u>
Cost of raw material sold		(99,258,071)	(23,425,658)
Closing stock		(652,163,014)	(539,795,256)
		<u>2,583,555,690</u>	<u>2,241,720,763</u>

30.2 Salaries, wages and benefits includes employees benefits amounting to Rs. 13,343,077 (2009: PKR 14,959,694).





## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

30.3	Cost of cotton sold		
	Cost of purchases	89,728,296	10,403,764
	Salaries, wages and other benefits	133,380	202,540
	Loading and unloading	10,759	20,864
	Insurance	156,247	78,028
	Commission	299,520	-
	Finance cost	2,171,822	372,939
		92,500,024	11,078,135
31	OTHER OPERATING INCOME		
	Income from financial assets		
	Interest income	2,193,113	1,687,383
	Provision for diminution in value of investment	(312,000)	-
	Bad debts recovered	4,704,307	119,520
		6,585,420	1,806,903
	Income from assets other than financial assets		
	Gain on disposal of property, plant and equipment	2,043,753	887,716
	Rental income	60,000	60,000
		2,103,753	947,716
		8,689,173	2,754,619
32	DISTRIBUTION COST		
	Export		
	Freight on export sales	32,904,822	29,183,255
	Export development surcharge	3,130,783	2,300,217
	Sales promotion expenses	1,210,104	-
	Others	2,352,082	2,716,770
		39,597,791	34,200,242
	Local		
	Salaries and wages	948,186	819,111
	Freight on local sales	10,702,780	9,174,105
	Others	799,515	516,043
		12,450,481	10,509,259
		52,048,272	44,709,501
33	ADMINISTRATIVE EXPENSES		
	Directors' remuneration	39 1,920,000	1,920,000
	Staff salaries and benefits	33.1 33,425,952	30,052,401
	Traveling, conveyance and entertainment	5,466,687	4,256,340
	Printing and stationery	2,500,130	2,180,599
	Communication	3,033,386	2,712,000
	Vehicles running and maintenance	5,476,273	5,160,515
	Legal and professional	857,700	609,016
	Auditors' remuneration	33.2 643,900	507,750
	Fee and subscription	1,055,463	849,701
	Repair and maintenance	2,417,512	736,137
	Depreciation	15.1 7,155,783	6,348,303



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

		June 2010 Rupees	June 2009 Rupees
Rent, rates and utilities		1,078,669	2,136,736
Donation	33.3	1,227,000	737,800
Bad Debts		44,664,193	-
Office Renovation		1,221,600	-
Others		<u>1,154,525</u>	<u>1,438,958</u>
		<u>113,298,773</u>	<u>59,646,256</u>
33.1 Salaries, wages and benefits includes employees benefits amounting to Rs. 3,549,788 (2009 : 2,855,873).			
33.2 Auditors' remuneration			
Annual statutory audit		500,000	373,750
Half yearly review		108,900	99,000
Out of pocket expenses		<u>35,000</u>	<u>35,000</u>
		<u>643,900</u>	<u>507,750</u>
33.3 No director or his spouse had any interest in the donee			
34 OTHER OPERATING EXPENSES			
Workers' profit participation fund	10.1	<u>22,557,271</u>	<u>5,243,382</u>
35 FINANCE COST			
Mark-up on:			
- long-term financing		57,072,541	97,367,861
- short-term borrowings		134,490,923	157,797,988
- liabilities against assets subject to finance lease		1,762,682	1,017,137
- workers' profit participation fund		<u>1,077,135</u>	<u>2,712,273</u>
		194,403,281	258,895,259
Bank charges and commission		3,909,579	4,439,405
Letter of credits discounting		22,414,067	16,887,201
Imputed interest expenses		<u>10,714,285</u>	<u>9,566,327</u>
		<u>231,441,212</u>	<u>289,788,192</u>
36 PROVISION FOR TAXATION			
Current			
- for the year	37.1	55,018,752	16,382,083
- for prior years		<u>(1,259,336)</u>	<u>88,425</u>
		53,759,416	16,470,508
Deferred	9.3	<u>(48,084,956)</u>	<u>2,279,242</u>
		<u>5,674,460</u>	<u>18,749,750</u>
36.1 Provision for current tax for the year has been made in accordance with section 18 and section 154 of the Income Tax Ordinance 2001. Income tax assessment of company has been finalized upto tax year 2009.			
36.2 Provision for current tax for the year includes PKR 8,382,568 (2009: PKR 1,992,382) in respect of Workers' Welfare Fund (WWF). Provision for WWF has been made as required under section 4 (1) of the Workers' Welfare Fund Ordinance 1971 as amended.			



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

	2010 %	2009 %
36.3 Numerical reconciliation between the average tax rate and the applicable tax rate		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
adjustment of the prior years	(0.29)	(2.55)
income chargeable to tax at different rate	(22.18)	2.30
inadmissible expenses	1.02	0.72
others	-	0.60
	(21.45)	1.07
Effective tax rate	13.55	36.07
	June 2010 Rupees	June 2009 Rupees
37 EARNINGS PER SHARE - BASIC AND DILUTED	140.61	26.96

There is no dilutive effect on the basic earning per share of the company which is based on;

	June 2010 Rupees	June 2009 Rupees
Earnings		
Earnings for the purpose of basic earnings per share		
Net profit after tax for the year	421,836,525	80,874,529
	June 2010	June 2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,000,000	3,000,000

Basic earnings per share have been computed by dividing earnings as stated above with weighted average number of ordinary shares.

	June 2010 Rupees	June 2009 Rupees
Basic earnings per share	140.61	26.96

No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

### 38 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

In respect of current period, the board of directors in their meeting held on 24<sup>th</sup> September 2010 has proposed to pay final cash dividend of @ 200% i.e PKR 20 per ordinary share of PKR 10 each. This dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

### 39 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

	Chief Executive		Director		Total	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Remuneration	662,069	662,069	662,069	662,069	1,324,138	1,324,138
House rent	297,931	297,931	297,931	297,931	595,862	595,862
	960,000	960,000	960,000	960,000	1,920,000	1,920,000
Number of persons	1	1	1	1	2	2

39.1 In addition the Chief Executive, and directors are provided with free use of Company maintained cars and telephone for business use.



## BHANERO TEXTILE MILLS LIMITED

### Notes to and forming part of financial statements for the year ended 30<sup>th</sup> June, 2010

#### 40 Segment Analysis

The segment information for the reportable segments For the year ended 30th June 2010 is as follows

#### 40.1 Operating Results

Note	Spinning		Weaving		Power Generation		Total	
	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09
Rupees								
<b>Sales</b>								
Export sales	2,356,137,241	606,903,187	1,732,533,049	401,111,357	-	-	4,088,670,290	1,008,014,544
Local sales	612,452,619	1,669,175,625	100,313,778	1,148,850,480	-	109,921	712,766,397	2,818,136,026
Custom rebate	144,426	27,414	105,125	93,886	-	-	249,551	121,300
Inter-segment sales	276,745,000	-	-	-	226,405,628	216,014,200	503,150,628	216,014,200
	<u>3,245,479,286</u>	<u>2,276,106,226</u>	<u>1,832,951,952</u>	<u>1,550,055,723</u>	<u>226,405,628</u>	<u>216,124,121</u>	<u>5,304,836,866</u>	<u>4,042,286,070</u>
<b>Duties, commission and brokerage</b>								
Regulatory duty on export sales	(845,034)	-	-	-	-	-	(845,034)	-
Commission on sales	(45,101,593)	(31,347,059)	(18,453,395)	(13,368,297)	-	-	(63,554,988)	(44,715,356)
	<u>(45,946,627)</u>	<u>(31,347,059)</u>	<u>(18,453,395)</u>	<u>(13,368,297)</u>	<u>-</u>	<u>-</u>	<u>(64,400,022)</u>	<u>(44,715,356)</u>
<b>Net sales</b>	<u>3,199,532,659</u>	<u>2,244,759,167</u>	<u>1,814,498,557</u>	<u>1,536,687,426</u>	<u>226,405,628</u>	<u>216,124,121</u>	<u>5,240,436,844</u>	<u>3,997,570,714</u>
<b>Cost of sales</b>	<u>2,532,001,967</u>	<u>1,895,002,582</u>	<u>1,651,512,786</u>	<u>1,407,209,096</u>	<u>218,754,751</u>	<u>199,102,045</u>	<u>4,402,269,504</u>	<u>3,501,313,723</u>
<b>Gross profit</b>	<u>667,530,692</u>	<u>349,756,585</u>	<u>162,985,771</u>	<u>129,478,330</u>	<u>7,650,877</u>	<u>17,022,076</u>	<u>838,167,340</u>	<u>496,256,991</u>
<b>Distribution cost</b>	<u>41,144,645</u>	<u>32,770,505</u>	<u>10,903,627</u>	<u>11,938,996</u>	<u>-</u>	<u>-</u>	<u>52,048,272</u>	<u>44,709,501</u>
<b>Administrative cost</b>	<u>101,218,126</u>	<u>54,719,043</u>	<u>12,080,447</u>	<u>4,900,466</u>	<u>200</u>	<u>26,747</u>	<u>113,298,773</u>	<u>59,646,256</u>
	<u>142,362,771</u>	<u>87,489,548</u>	<u>22,984,074</u>	<u>16,839,462</u>	<u>200</u>	<u>26,747</u>	<u>165,347,045</u>	<u>104,355,757</u>
<b>Operating result</b>	<u>525,167,921</u>	<u>262,267,037</u>	<u>140,001,697</u>	<u>112,638,868</u>	<u>7,650,677</u>	<u>16,995,329</u>	<u>672,820,295</u>	<u>391,901,234</u>
<b>40.2 Segment assets</b>	<u>1,954,823,152</u>	<u>1,811,120,603</u>	<u>996,276,958</u>	<u>1,080,532,039</u>	<u>149,292,695</u>	<u>162,430,784</u>	<u>3,100,392,805</u>	<u>3,054,083,426</u>
<b>Unallocated assets</b>							<u>77,343,719</u>	<u>79,966,310</u>
							<u>3,177,736,524</u>	<u>3,134,049,736</u>
<b>40.3 Segment liabilities</b>	<u>603,714,435</u>	<u>873,925,548</u>	<u>872,924,627</u>	<u>914,281,439</u>	<u>83,492,488</u>	<u>113,805,833</u>	<u>1,560,131,550</u>	<u>1,902,012,820</u>
<b>Unallocated liabilities</b>							<u>217,051,951</u>	<u>247,320,418</u>
							<u>1,777,183,501</u>	<u>2,149,333,238</u>
<b>40.4 Inter-segment pricing</b>								
Transactions among the business segments are recorded at arm's length prices using admissible valuation methods								
There were no major customer of company which formed 10 percent or more of the company's revenue.								



## BHANERO TEXTILE MILLS LIMITED

### Notes to and forming part of financial statements for the year ended 30<sup>th</sup> June, 2010

	June 2010	June 2009
	Rupees	Rupees
41 Reconciliation of reportable segment turnover, cost of sales, assets and liabilities		
41.1 Turnover		
Total turnover for reportable segments	5,304,836,866	4,042,286,070
Elimination of inter-segment turnover	(503,150,628)	(216,014,200)
Total turnover	<u>4,801,686,238</u>	<u>3,826,271,870</u>
41.2 Cost of sales		
Total cost of sales for reportable segments	4,402,269,504	3,501,313,723
Elimination of inter-segment revenue	(503,150,628)	(216,014,200)
Total cost of sales	<u>3,899,118,876</u>	<u>3,285,299,523</u>
41.3 Assets		
Total assets for reportable segments	3,100,392,805	3,054,083,426
Taxation recoverable	17,112,518	19,063,451
Sales tax refundable	18,730,641	7,279,625
Trade deposits	31,822,364	23,119,238
Long term investment	63,000	375,000
Long term deposit	9,615,196	30,128,996
Total assets	<u>3,177,736,524</u>	<u>3,134,049,736</u>
41.4 Liabilities		
Total liabilities for reportable segments	1,560,131,550	1,902,012,820
Unclaimed dividends	257,757	246,176
Infrastructure fee	31,224,995	24,134,372
Sponsors loan	100,000,000	89,285,715
Deferred taxation	85,569,199	133,654,155
Total liabilities	<u>1,777,183,501</u>	<u>2,149,333,238</u>

	Note	Spinning		Weaving		Power Generation		Total	
		Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09
		Rupees							
42	Cost of sales								
	Raw material consumed	42.1 1,591,349,014	1,188,094,638	1,268,951,676	1,053,626,125	-	-	2,860,300,690	2,241,720,763
	Packing material consumed	37,272,618	37,584,360	4,182,238	3,538,125	-	-	41,454,856	41,122,485
	Stores and spare parts	68,489,058	57,618,366	34,326,518	50,846,349	26,339,772	11,642,672	129,155,348	120,107,387
	Salaries, wages and benefits	202,518,651	184,686,627	58,019,659	53,065,446	3,592,252	3,321,306	264,130,562	241,073,379
	Processing charges	34,000	510,316	2,487,579	4,571,941	-	-	2,521,579	5,082,257
	Fees and subscription	125,124	43,595	5,800	8,800	12,000	12,000	142,924	64,395
	Fuel, power and water								
	Inter-segment	104,825,368	97,474,245	121,580,260	118,539,955	-	-	226,405,628	216,014,200
	Others	237,099,319	194,654,782	54,107,347	31,734,668	163,080,450	159,778,960	454,287,116	386,168,410
		341,924,687	292,129,027	175,687,607	150,274,623	163,080,450	159,778,960	680,692,744	602,182,610



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

Electricity duty	-	-	-	-	2,527,574	2,292,037	2,527,574	2,292,037
Insurance	5,852,597	5,319,330	2,118,294	2,910,444	2,728,219	2,744,307	10,699,110	10,974,081
Vehicle running and maintenance	3,706,740	3,303,293	723,468	578,215	100,884	88,629	4,531,092	3,970,137
Rent, rates and taxes	513,303	401,465	2,420	1,430	-	740	515,723	403,635
Repair and maintenance	2,747,349	2,001,775	817,984	953,752	4,233,217	1,862,678	7,798,550	4,818,205
Communication	443,721	468,014	137,368	127,476	-	-	581,089	595,490
Travelling and conveyance and entertainment	848,263	699,242	99,651	89,569	43,075	52,037	990,989	840,848
Depreciation	74,158,464	79,917,683	66,825,127	73,417,838	16,071,519	17,297,461	157,055,110	170,632,982
Others	749,219	506,258	505,753	200,110	25,789	9,218	1,280,761	715,586
Work in process	2,330,732,808	1,853,283,989		1,394,210,243	218,754,751	199,102,045	4,164,378,701	3,446,596,277
Opening stock	30,123,544	27,533,912	24,600,963	24,107,777	-	-	54,724,507	51,641,689
Closing stock	(27,907,249)	(30,123,544)	(38,632,007)	(24,600,963)	-	-	(66,539,256)	(54,724,507)
	2,216,295	(2,589,632)	(14,031,044)	(493,186)	-	-	(11,814,749)	(3,082,818)
Cost of goods manufactured	2,332,949,103	1,850,694,357	1,600,860,098	1,393,717,057	218,754,751	199,102,045	4,152,563,952	3,443,513,459
Cost of cotton sold	92,500,024	11,078,135	-	-	-	-	92,500,024	11,078,135
Finished stocks								
Opening stock	103,102,315	100,548,965	102,132,390	98,475,125	-	-	205,234,705	199,024,090
Finished goods purchased	63,394,588	35,783,440	21,283,984	17,149,304	-	-	84,678,572	52,932,744
Closing stock	(59,944,063)	(103,102,315)	(72,763,686)	(102,132,390)	-	-	(132,707,749)	(205,234,705)
	106,552,840	33,230,090	50,652,688	13,492,039	-	-	157,205,528	46,722,129
	2,532,001,967	1,895,002,582	1,651,512,786	1,407,209,096	218,754,751	199,102,045	4,402,269,504	3,501,313,723
42.1 Raw material consumed								
Opening stock	489,708,047	668,295,638	50,087,209	42,864,555	-	-	539,795,256	711,160,193
Purchases								
Inter-segment	-	-	276,745,000	-	-	-	276,745,000	-
Others	1,775,401,148	1,019,910,811	1,019,780,371	1,073,870,673	-	-	2,795,181,519	2,093,781,484
	1,775,401,148	1,019,910,811	1,296,525,371	1,073,870,673	-	-	3,071,926,519	2,093,781,484
Raw material sold - cotton	(89,728,296)	(10,403,764)	-	-	-	-	(89,728,296)	(10,403,764)
Raw material sold - yarn	-	-	(9,529,775)	(13,021,894)	-	-	(9,529,775)	(13,021,894)
Closing stock	(584,031,885)	(489,708,047)	(68,131,129)	(50,087,209)	-	-	(652,163,014)	(539,795,256)
	1,591,349,014	1,188,094,638	1,268,951,676	1,053,626,125	-	-	2,860,300,690	2,241,720,763
42.2 Cost of cotton sold								
Cost of purchase	89,728,296	10,403,764	-	-	-	-	89,728,296	10,403,764
Salaries, wages and other benefits	133,380	202,540	-	-	-	-	133,380	202,540
Loading and unloading	10,759	20,864	-	-	-	-	10,759	20,864
Insurance	156,247	78,028	-	-	-	-	156,247	78,028
Commission	299,520	-	-	-	-	-	299,520	-
Finance cost	2,171,822	372,939	-	-	-	-	2,171,822	372,939
	92,500,024	11,078,135	-	-	-	-	92,500,024	11,078,135



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

Note	Spinning		Weaving		Power Generation		Total	
	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09
43	Rupees							
Distribution cost								
Export								
Ocean freight and forwarding	25,120,870	20,058,010	7,783,952	9,125,245	-	-	32,904,822	29,183,255
Export development surcharge	1,892,184	1,399,652	1,238,599	900,565	-	-	3,130,783	2,300,217
Sales Promotion Expenses	971,203	-	238,901	-	-	-	1,210,104	-
Others	850,649	1,086,320	1,501,433	1,630,450	-	-	2,352,082	2,716,770
	28,834,906	22,543,982	10,762,885	11,656,260	-	-	39,597,791	34,200,242
Local								
Salaries and wages	948,186	819,111	-	-	-	-	948,186	819,111
Inland transportation	10,583,189	8,908,669	119,591	265,436	-	-	10,702,780	9,174,105
Others	778,364	498,743	21,151	17,300	-	-	799,515	516,043
	12,309,739	10,226,523	140,742	282,736	-	-	12,450,481	10,509,259
	41,144,645	32,770,505	10,903,627	11,938,996	-	-	52,048,272	44,709,501
44	Administrative cost							
Directors' remuneration	1,920,000	1,920,000	-	-	-	-	1,920,000	1,920,000
Staff salaries and benefits	29,854,339	26,624,179	3,571,613	3,428,222	-	-	33,425,952	30,052,401
Traveling, conveyance and entertainment	5,141,464	3,974,245	325,223	282,095	-	-	5,466,687	4,256,340
Printing and stationery	2,221,222	2,119,815	278,708	55,334	200	5,450	2,500,130	2,180,599
Communication	2,875,719	2,482,025	157,667	229,975	-	-	3,033,386	2,712,000
Vehicles running and maintenance	5,223,371	5,160,515	252,902	-	-	-	5,476,273	5,160,515
Legal and professional	792,700	589,516	65,000	19,500	-	-	857,700	609,016
Auditors' remuneration	425,933	331,000	217,967	176,750	-	-	643,900	507,750
Fee and subscription	985,083	689,430	70,380	160,271	-	-	1,055,463	849,701
Repair and maintenance	2,378,114	736,137	39,398	-	-	-	2,417,512	736,137
Depreciation	6,184,402	6,007,929	971,381	319,077	-	21,297	7,155,783	6,348,303
Rent, rates and utilities	1,078,669	2,136,736	-	-	-	-	1,078,669	2,136,736
Donation	1,202,000	687,800	25,000	50,000	-	-	1,227,000	737,800
Bad Debts	38,632,639	-	6,031,554	-	-	-	44,664,193	-
Office Renovation	1,221,600	-	-	-	-	-	1,221,600	-
Others	1,080,871	1,259,716	73,654	179,242	-	-	1,154,525	1,438,958
	101,218,126	54,719,043	12,080,447	4,900,466	200	26,747	113,298,773	59,646,256



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

### 45 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arms length transaction. As at June 30, 2010 the net fair value of all financial instruments has been based on the valuation methodology outlined below:-

#### Long-term deposits

Long term deposits does not carry any rate of return. The fair value of it has been taken at book value as it is not considered materially different and readily exchangeable.

#### Non-current liabilities

For all non-current liabilities the fair values have been taken at book values as these are not considered materially different based on the current market rates of return and repricing profiles of similar non-current liabilities.

#### Other financial instruments

The fair values of all other financial instruments are considered to approximate their book values as they are short term in nature.

The analysis of yield / mark-up rate risk is as under:

	2010							Effective Interest Rate %
	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	
	Maturity Upto	Maturity After	Subtotal	Maturity Upto	Maturity After	Subtotal		
	One year Rupees	One year Rupees	Rupees	One year Rupees	One year Rupees	Rupees		
<b>Financial assets</b>								
Trade debts	-	-	-	387,229,790	-	387,229,790	387,229,790	
Loans and advances	-	-	-	17,589,211	-	17,589,211	17,589,211	
Trade deposits	31,800,000	-	31,800,000	22,364	-	22,364	31,822,364	7
Other receivables	-	-	-	4,315,295	-	4,315,295	4,315,295	
Bank balances	-	-	-	36,211,372	-	36,211,372	36,211,372	
Long-term loans	-	-	-	3,257,623	10,806,986	14,064,609	14,064,609	
Long-term deposits	-	-	-	-	9,615,196	9,615,196	9,615,196	
Long term investments	-	-	-	-	63,000	63,000	63,000	
	<u>31,800,000</u>	<u>-</u>	<u>31,800,000</u>	<u>448,625,655</u>	<u>20,485,182</u>	<u>469,110,837</u>	<u>500,910,837</u>	
<b>Financial liabilities</b>								
Long-term financing	435,324,658	89,184,135	524,508,793	-	-	-	524,508,793	7 and KIBOR + 1
Trade and other payables	22,557,270	-	22,557,270	223,294,949	-	223,294,949	245,852,219	
Mark-up accrued on loans	-	-	-	20,956,878	-	20,956,878	20,956,878	
Short-term borrowings	716,291,227	-	716,291,227	-	-	-	716,291,227	KIBOR + .7 to 1.5
	<u>1,174,173,155</u>	<u>89,184,135</u>	<u>1,263,357,290</u>	<u>244,251,827</u>	<u>-</u>	<u>244,251,827</u>	<u>1,507,609,117</u>	
On balance sheet gap	<u>(1,142,373,155)</u>	<u>(89,184,135)</u>	<u>(1,231,557,290)</u>	<u>204,373,828</u>	<u>20,485,182</u>	<u>224,859,010</u>	<u>(1,006,698,280)</u>	





## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

### Contingencies and commitments

Post dated cheques	1,071,894
Bill discounted	38,591,520
Guarantees	73,985,675
Letters of credit	120,336,795
Civil work	6,500,000

2009

	Interest / Markup bearing			Non Interest / Markup bearing			Total	Effective Interest Rate %
	Maturity Upto	Maturity After	Subtotal	Maturity Upto	Maturity After	Subtotal		
	One year	One year		One year	One year			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
<b>Financial assets</b>								
Trade debts	-	-	-	443,988,669	-	443,988,669	443,988,669	
Loans and advances	-	-	-	1,284,076	-	1,284,076	1,284,076	
Trade deposits	22,800,000	-	22,800,000	319,238	-	319,238	23,119,238	3 to 7
Other receivables	-	-	-	5,055,824	-	5,055,824	5,055,824	
Bank balances	-	-	-	22,665,590	-	22,665,590	22,665,590	
Long-term loans	-	-	-	4,619,958	10,245,254	14,865,212	14,865,212	
Long-term deposits	-	-	-	-	30,128,996	30,128,996	30,128,996	
Long term investments	-	-	-	-	375,000	375,000	375,000	
	<u>22,800,000</u>	<u>-</u>	<u>22,800,000</u>	<u>477,933,355</u>	<u>40,749,250</u>	<u>518,682,605</u>	<u>541,482,605</u>	
<b>Financial liabilities</b>								
Long-term financing	213,224,878	517,332,660	730,557,538	-	-	-	730,557,538	KIBOR + 1
Trade and other payables	15,387,655	-	15,387,655	173,950,575	-	173,950,575	189,338,230	
Mark-up accrued on loans	-	-	-	45,511,678	-	45,511,678	45,511,678	
Short-term borrowings	891,074,535	-	891,074,535	-	-	-	891,074,535	KIBOR + .5 to 1.5
	<u>1,119,687,068</u>	<u>517,332,660</u>	<u>1,637,019,728</u>	<u>219,462,253</u>	<u>-</u>	<u>219,462,253</u>	<u>1,856,481,981</u>	
On balance sheet gap	<u>(1,096,887,068)</u>	<u>(517,332,660)</u>	<u>(1,614,219,728)</u>	<u>258,471,102</u>	<u>40,749,250</u>	<u>299,220,352</u>	<u>(1,314,999,376)</u>	

### Contingencies and commitments

Post dated cheques	699,753
Bill discounted	34,411,000
Guarantees	64,146,675
Letters of credit	14,035,466
Civil work	-



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
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### 45.1 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Changes in interest rates can affect the rates charged on interest bearing liabilities. This can result in an increase in interest expense relative to financial borrowings or vice versa. The Company manages its risk by interest rate swapping, maintaining a fair balance between interest rates and financial assets and financial liabilities. The effective interest rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

### 45.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of PKR 500,910,837 (June 30, 2009: PKR 541,482,605), unsecured long term loans to employees, local trade debts, advances to suppliers, and other receivables amounting in aggregate to PKR 418,883,610 (June 30, 2009: PKR 464,790,549) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales.

### 45.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

### 45.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2010, the total foreign currency risk exposure was PKR 18,972,389 (June 30, 2009: PKR 3,410,649) in respect of foreign trade debts.

### 45.5 Fair value of financial instruments

"Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms' length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values."

### 45.6 Credit risk

#### 45.6.1 Maximum credit exposure

The carrying amount of financial assets, excluding cash in hand, represents maximum credit exposure. The maximum exposure to credit risk as at the reporting date is:

Note	June 30 2010 Rupees	June 30 2009 Rupees
Financial assets at fair value through profit or loss	-	-
Held-to-maturity investments	-	-



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

	June 30 2010 Rupees	June 30 2009 Rupees
Loans and receivables:		
Long term deposits	9,615,196	30,128,996
Long term loan	10,806,986	10,245,254
Trade receivables	387,229,790	443,988,669
Loan and advances	20,846,834	5,904,034
Refundable trade deposits	31,822,364	23,119,238
Other receivables	4,315,295	5,055,824
Cash at banks	36,211,372	22,665,590
	<u>500,847,837</u>	<u>541,107,605</u>
	500,847,837	541,107,605
 Available for sale financial assets	 63,000	 375,000
	<u><u>500,910,837</u></u>	<u><u>541,482,605</u></u>

### 45.6.2 Concentration of credit risk

Maximum exposure to credit risk by geographical region as at the reporting date is:

Domestic	414,961,050	447,556,994
Europe	12,463,200	3,410,648
United States of America	-	-
Asia and Middle East	6,509,189	-
Other regions	-	-
	<u>433,933,439</u>	<u>450,967,642</u>

### 45.6.3 Impairment losses

The ageing of loans and receivables as at the reporting date is as follows:

Not past due	387,229,790	443,988,669
Past due less than one year	39,724,675	-
Past due more than one year but less than three years	5,079,001	5,116,550
Past due more than three years	6,978,974	6,978,974
	<u>439,012,440</u>	<u>456,084,193</u>

The movement in allowance for impairment in respect of loans and receivables during the year is as follows:

As at beginning of the year	12,095,524	12,195,524
Impairment loss recognized	44,428,982	-
Impairment loss reversed	(4,741,856)	(100,000)
	<u>51,782,650</u>	<u>12,095,524</u>



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

Credit quality of counter parties is assessed based on historical default rates. All loans and receivables not past due are considered good. The management believes that allowance for impairment of loans and receivables past due is not necessary, as these comprise amounts due from old customers, which have been re-negotiated from time to time and are also considered good.

### 45.6.4 Collateral held

The Company does not hold collateral to secure its loans and receivables. However, foreign trade receivables of the Company are secured through letters of credits and exposure to credit risk in respect of these is minimal.

### 45.7 Liquidity risk

Following are the contractual maturities of financial liabilities, including estimated interest payments

	As at June 30, 2010				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from associates	100,000,000	100,000,000	-	100,000,000	-
Long term finances	509,066,345	509,066,345	429,097,904	79,968,441	-
Liabilities against assets subject to finance lease	15,442,448	15,442,448	6,226,754	9,215,694	-
Long term payables	31,224,995	31,224,995	-	31,224,995	-
Short term borrowings	716,291,227	716,291,227	716,291,227	-	-
Mark-up accrued on borrowings	20,956,878	20,956,878	20,956,878	-	-
Trade creditors	145,750,105	145,750,105	145,750,105	-	-
Accrued liabilities	76,796,554	76,796,554	76,796,554	-	-
Unclaimed dividend	257,757	257,757	257,757	-	-
Other payables	23,047,803	23,047,803	23,047,803	-	-
	<u>1,638,834,112</u>	<u>1,638,834,112</u>	<u>1,418,424,982</u>	<u>220,409,130</u>	<u>-</u>

	As at June 30, 2009				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from associates	89,285,715	100,000,000	-	89,285,715	-
Long term finances	718,898,737	718,898,737	209,832,392	509,066,345	-
Liabilities against assets subject to finance lease	11,658,801	11,658,801	3,392,486	8,266,315	-
Long term payables	24,134,372	24,134,372	-	24,134,372	-
Short term borrowings	891,074,535	891,074,535	891,074,535	-	-
Mark-up accrued on borrowings	45,511,678	45,511,678	45,511,678	-	-
Trade creditors	114,718,014	114,718,014	114,718,014	-	-
Accrued liabilities	58,160,849	58,160,849	58,160,849	-	-
Unclaimed dividend	246,176	246,176	246,176	-	-
Other payables	16,213,191	16,213,191	16,213,191	-	-
	<u>1,969,902,068</u>	<u>1,980,616,353</u>	<u>1,339,149,321</u>	<u>630,752,747</u>	<u>-</u>



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

June 30 2010	June 30 2009
Rupees	Rupees

### 45.8 Market risk

#### 45.8.1 Currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

Trade receivables	18,972,389	3,410,649
Cash and cash equivalents	5,146,948	99,243
Trade payables	-	-
 Total exposure	<u>24,119,337</u>	<u>3,509,892</u>

All foreign currency balances are denominated in USD. Average exchange rate used during the year and spot exchange rate applied at the reporting date was PKR 83.88 / USD and PKR 85.45 / USD (2009: PKR 77.43 / USD and PKR 80.43 / USD) respectively.

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 2,411,934 (2009: PKR 350,989). A ten percent depreciation would have had the equal but opposite effect on profit or loss. This sensitivity analysis based on assumption that all variables, with the exception of foreign exchange rates, remain unchanged.

#### 45.8.2 Interest rate risk

The interest rate profile the Company's interest bearing financial instruments as at the reporting date is as follows:

	June 30 2010	June 30 2009
	Rupees	Rupees
 Fixed rate instruments		
Financial assets	-	-
Financial liabilities	294,450,889	417,844,356
 Variable rate instruments		
Financial assets	31,800,000	22,800,000
Financial liabilities	946,349,131	1,203,787,717

The Company is not exposed to interest rate risk in respect of its fixed rate instruments. A 100 basis points increase in variable interest rates would have decreased profit or loss by PKR 9,463,491 (2009: PKR 12,037,877). A 100 basis points increase in variable interest rate would have had an equal but opposite impact on profit or loss.

### 45.9 Fair values

Fair value is the amount for which an asset could be exchanged or a liability be settled between knowledgeable willing parties, in an arm's length transaction. As at the reporting date, the fair values of all financial instruments are considered to approximate their book values.



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

### 46 TRANSACTIONS WITH RELATED PARTIES

The associated undertaking and related parties comprise associated companies, directors and key management personnel. Transaction with associated undertakings and related parties, other than remuneration and benefits to key management personnel under the term of their employment as disclosed in note 18 and 40 are as follow :

Nature of relationship	Nature of transactions	June 2010 Rupees	June 2009 Rupees
Associated undertaking	Sales of yarn	384,489,775	292,173,734
	Sales of fabric	42,140,081	3,306,967
	Sales of cotton	868,074	10,552,728
	Sales of stores, spare parts and loose tools	85,362	1,678,064
	Services rendered	12,132,754	13,831,274
	Purchase of yarn	90,043,527	34,231,720
	Purchase of fabrics	11,754,209	4,127,410
	Purchase of cotton	94,693,554	109,532,559
	Purchase of stores, spare parts and loose tools	-	1,245,275
	Purchase electricity	209,967,869	171,219,066
	Purchase of machinery	2,000,000	5,100,000
	Services received	1,820,000	4,300,000
Retirement benefits			
Key management	Provision for gratuity	16,954,365	18,792,167
	Remuneration	1,920,000	1,920,000

### 47 Accounting Estimates and Judgments

#### 47.1 Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

#### 47.2 Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

#### 47.3 Property, plant and equipment

The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

#### 47.4 Stock-in-trade and stores and spares

The Company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.



## BHANERO TEXTILE MILLS LIMITED

Notes to and forming part of financial statements  
for the year ended 30<sup>th</sup> June, 2010

### 47.5 Interest rate and cross currency swap

"The Company has entered into various interest rates and cross currency swap over the last year. The calculation involves use of estimates with regard to interest and foreign currency rates which fluctuate with the market forces.

48 PLANT CAPACITY AND ACTUAL PRODUCTION	June 2010	June 2009
Number of spindles installed	67,776	67,776
Number of looms installed	140	140
Number of spindles worked	67,776	67,776
Number of looms worked	140	140
Number of shifts per day	3	3
Installed capacity of yarn after conversion into 20's counts (Kgs.)	23,200,746	23,200,746
Actual production of yarn after conversion into 20's counts (Kgs.)	26,019,888	26,346,958
Installed capacity of fabric after conversion into 50 picks - meters	26,166,485	26,166,485
Actual production of fabric after conversion into 50 picks - meters	23,665,124	29,025,904

It is difficult to precisely describe production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindles speed and twist etc. It would also vary accordingly to pattern of production adopted in a particular year.

### 49 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 24<sup>th</sup> September 2010

### 50 RECLASSIFICATION


Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions of the purposes of comparison. Significant reclassifications made is as following:


From	TO	Nature	Amount
i) Trade deposit and short term prepayments - Short term prepayments	Loan and advances - Prepaid expenses	Proper presentation	403,232
ii) Other receivable	Loan and advances - Supplier - considered doubtful	Proper presentation	366,550
iii) Other receivable - Provision for doubtful debts	Loan and advances - Provision for doubtful debts supplier	Proper presentation	366,550
iv) Other receivable	Other receivable - KMC refundable	Proper presentation	181,365

### 51 GENERAL

The figures have been rounded off to the nearest Rupee.

Karachi:  
Dated: 24<sup>th</sup> September, 2010

  
 Mohammad Salim  
 Chief Executive

  
 Mohammad Shakeel  
 Director



## BHANERO TEXTILE MILLS LIMITED

### Year wise Operating Data

Year Ended 30<sup>th</sup> June

2010	2009	2008	2007	2006	2005
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#### Spinning Unit

Spindle installed	68,736	68,736	68,736	67,776	68,736	68,736
Spindle worked	68,736	68,736	68,736	67,776	68,736	68,736
Installed capacity after conversion in to 20/s count (Kgs)	23,200,746	23,200,746	23,200,746	23,200,746	23,200,746	14,489,726
Actual production after conversion in to 20/s count (Kgs)	26,019,888	26,346,958	26,346,958	23,916,723	25,541,642	15,281,522

#### Weaving Unit

Air jet looms installed	140	140	140	140	140	-
Air jet looms worked	140	140	140	140	140	-
Installed capacity after conversion into 50 picks - (meters)	26,166,485	26,166,485	26,166,485	26,166,485	20,034,909	-
Actual production after conversion into 50 picks - (meters)	23,665,124	24,985,060	29,025,904	33,878,770	24,198,242	-

### Year wise Financial Data

Year Ended 30<sup>th</sup> June

	2010	2009	2008	2007	2006	2005
Rupees in Thousands						
Fixed assets	1,573,154	1,724,335	1,841,843	1,995,219	2,127,525	1,308,145
Investments, long term loans and deposits	20,485	40,749	11,494	11,952	15,882	21,317
Current assets	1,517,201	1,366,386	1,544,122	1,393,808	924,099	1,040,478
Shareholders equity	1,400,553	984,716	909,841	853,436	737,170	614,593
Long term liabilities	89,184	518,333	610,159	793,958	1,161,703	775,114
Deferred liabilities	169,574	203,565	186,926	162,471	109,232	80,254
Current liabilities	1,418,424	1,339,149	1,616,482	1,500,363	1,083,318	893,642
Turnover (Net)	4,737,286	3,781,556	3,477,248	3,521,088	2,671,677	1,174,793
Gross profit	838,167	496,257	409,440	476,569	422,102	207,430
Operating profit	658,952	389,412	30,844	386,589	357,854	151,449
Financial charges	231,441	289,788	220,877	200,980	184,390	48,703
Profit before tax	427,511	99,624	99,967	185,609	173,463	102,745
Profit after tax	421,836	80,874	63,905	123,766	137,577	88,351
Cash Dividend	6,000	6,000	7,500	7,500	15,000	15,000
Transfer to reserves	400,000	50,000	100,000	100,000	100,000	76,000
Profit carried forward	70,553	54,716	29,841	73,436	57,170	34,593





BHANERO TEXTILE MILLS LIMITED

PATTERN OF SHAREHOLDING  
AS AT 30<sup>TH</sup> JUNE 2010

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM TO	TOTAL SHARES HELD
114	00001 - 000100	9,846
33	000101 - 000500	9,428
9	000501 - 001000	8,000
14	001001 - 005000	31,284
3	010001 - 015000	36,000
1	015001 - 020000	17,942
2	020001 - 025000	43,984
1	025001 - 030000	29,872
1	040001 - 045000	42,780
4	050001 - 055000	204,938
3	060001 - 065000	181,600
3	070001 - 075000	216,400
2	080001 - 085000	165,600
2	155001 - 160000	317,900
1	165001 - 170000	165,142
1	170001 - 175000	170,400
1	250001 - 255000	250,176
1	265001 - 270000	267,825
1	330001 - 335000	334,283
1	495001 - 500000	496,600
<u>198</u>		<u>3,000,000</u>



## BHANERO TEXTILE MILLS LIMITED

### CATEGORYWISE SUMMARY OF SHAREHOLDERS AS AT 30<sup>TH</sup> JUNE 2010

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARE HELD	PERCENTAGE %
1 Directors Chief Exective Officer and their spouse and minor childrens	16	1,536,960	51.23
2 Associated Companies,Undertaking and related parties	9	1,305,040	43.50
3 NIT and ICP	-	-	-
4 Financial Institution	-	-	-
5 Insurance Companies	1	70,500	2.35
6 Modarabas and Mutual Funds	1	148	0.01
7 Individuals - Local	168	68,710	2.29
8 Joint Stock Companies	3	18,642	0.62
TOTAL	<u>198</u>	<u>3,000,000</u>	<u>100.00</u>

The above two statements include 110 Shareholders holding 634,200 Shares through the Central Depository Company of Pakistan Limited (CDC)



## BHANERO TEXTILE MILLS LIMITED

### PATTERN OF SHAREHOLDINGS AS AT 30-06-2010

S.No.	Shareholders Category	Percentage	No. of Shares
1	ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES	-	-
	ADMIRAL (PVT) LTD	16.55	496,600
	MR. FARRUKH SALIM	2.02	60,600
	MR. YOUSUF SALIM	1.69	50,674
	MR. SAQIB SALIM	1.68	50,490
	MR. MOHAMMAD SHAKEEL	0.73	22,055
	MR. MOHAMMAD QASIM	5.28	158,400
	MRS. NAZLI BEGUM	1.68	50,482
	MRS. SABA YOUSUF	2.76	82,700
	MRS. SABA SAQIB	2.76	82,900
	MRS. SADAF FARRUKH	2.42	72,500
2	CEO, DIRECTOR AND THEIR SPOUSES AND MINOR CHILDREN		
	MR. MOHAMMAD SALIM	0.73	21,929
	MR. MOHAMMAD SHARIF	0.47	14,000
	MR. MOHAMMAD SHAHEEN	1.43	42,780
	MR. KHURRAM SALIM	2.02	60,500
	MR. BILAL SHARIF	2.02	60,500
	MR. MOHAMMAD AMIN	5.32	159,500
	MR. ADIL SHAKEEL	8.93	267,825
	MR. FAISAL SHAKEEL	8.34	250,176
	MRS. YASMIN BEGUM	1.00	29,872
	MRS. ANJUM BEGUM	5.50	165,142
	MRS. SEEMA BEGUM	1.77	53,292
	MRS. AMNA KHURRAM	2.45	73,400
	MRS. SAMIA BILAL	11.14	334,283
	MRS. FATIMA AMIN	5.68	170,400
	MASTER ABDULLAH BILAL	0.37	11,000
3	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTAL FUNDS		
	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2.35	70,500
	HABIB METROPOLITAN BANK	0.01	148
4	JOINT STOCK COMPANIES		
	S.S CORPORATION (PVT) LTD	0.02	600
	AL ASAR SECURITIES (PVT) LTD	0.00	100
	ARIF HABIB SECURITIES (PVT) LTD	0.59	17,942
5	INDIVIDUAL SHARE HOLDERS	2.29	68,710
	TOTAL	<u>100.00</u>	<u>3,000,000</u>
6	DETAILS OF TRADING IN THE SHARES BY THE DIRECTORS, CEO, CFO, COMPANY SECRETARY AND THEIR SPOSES AND MONOR CHILDREN		NIL
7	SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST		
	MRS. SAIMA BILAL	11.14%	334,283
	ADMIRAL (PVT) LIMITED	16.55%	496,600



## BHANERO TEXTILE MILLS LIMITED

### PROXY FORM

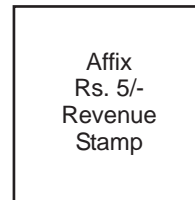
I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of BHANERO TEXRILE MILLS LIMITED and holder of \_\_\_\_\_  
ordinary share as per Share Register Folio No. \_\_\_\_\_ and/or CDC Participant  
ID No. \_\_\_\_\_ and Sub Account No. \_\_\_\_\_ hereby appoint  
Mr./Mrs./Miss \_\_\_\_\_ of \_\_\_\_\_ or failing  
him/her \_\_\_\_\_ of \_\_\_\_\_ as my / our  
proxy to act on my/our behalf at the 31<sup>st</sup> Annual General Meeting of the Company to be held on  
Tuesday 26<sup>th</sup> October 2010 at 4:00 p.m. at Umer House, 23/1, Sector 23, S.M. Farooq Road,  
Korangi Industrial Area, Karachi. and/or at any adjournment thereof.

WITNESS

Signature

Name

Address



CNIC/Passport #

(Signature should agree with the  
specimen signature registered  
with the Company)

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

#### Notes:

If a member is unable to attend the meeting, they may complete and sign this form and sent it to the Company Secretary, Bhanero Textile Mills Limited, Umer House, 23/1, Sector 23, S.M. Farooq Road, Korangi Industrial Area, Karachi. so as to reach not less than 48 hours before the time scheduled for holding the meeting.

- (i) The Proxy form shall be witnessed by a person whose name, address and CNIC/Passport number should be stated on the form.
- (ii) Attested copy of CNIC or the Passport of the beneficial owner alongwith the proxy form should also be submitted.
- (iii) The Proxy nominee shall produce his / her original CNIC or original Passport at the time of the meeting.
- (iv) In case of a Corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature should be submitted (unless it has been provided earlier) along with Proxy form to the Company.

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**REGISTERED OFFICE**

Umer House, 23/1, Sector 23, S.M. Farooq Road,  
Korangi Industrial Area, Karachi-74900, Pakistan

Phones : 021 - 35115177 - 80

Fax No. : 021 - 35063002 - 3

E-mail : [khioff@umergroup.com](mailto:khioff@umergroup.com)

Website : [www.umergroup.com](http://www.umergroup.com)

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